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INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

HEARINGS

BEFORE THE

TEMPORARY NATIONAL ECONOMIC COMMITTEE CONGRESS OF THE UNITED STATES

SEVENTY-SIXTH CONGRESS

SECOND SESSION

PURSUANT TO

Public Resolution No. 113

(Seventy-fifth Congress)

AUTHORIZING AND DIRECTING A SELECT COMMITTEE TO
MAKE A FULL AND COMPLETE STUDY AND INVESTIGA-
TION WITH RESPECT TO THE CONCENTRATION OF
ECONOMIC POWER IN, AND FINANCIAL CONTROL
OVER, PRODUCTION AND DISTRIBUTION
OF GOODS AND SERVICES

PART 22—23

INVESTMENT BANKING

BROWN BROTHERS HARRIMAN & CO.
HARRIMAN RIPLEY & CO., INCORPORATED
FINANCING OF CHICAGO UNION STATION CO.
AND PACIFIC GAS AND ELECTRIC CO.
CHARLES E. MITCHELL—BLYTHE & CO., INC.

DECEMBER 12, 13, AND 14, 1939

Printed for the use of the Temporary National Economic Committee



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II

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CONTENTS

Testimony of:	Page
Bovenizer, George W., Kuhn & Loeb Co., New York, N. Y.-----	11427-11478
Evans, Lewis N., associate attorney, Securities and Exchange Commission, Washington, D. C.-----	11490
Glore, Charles F., Glore, Forgan & Co., Chicago, Ill.-----	11427-11478
Harriman, W. Averell, Brown Brothers Harriman & Co., New York, N. Y.-----	11384-11391, 11393-11408, 11417-11425
Huff, Charles H., associate utilities financial analyst, Investment Banking Section, Securities and Exchange Commission, Washington, D. C.-----	11391-11393, 11439, 11547-11549
Jesup, Edward N., vice president, Lee Higginson Corporation, New York, N. Y.-----	11427-11478
Leib, George C., vice president and director, Blyth & Co., Inc., New York, N. Y.-----	11485-11510
Mathers, Lloyd, security analyst, Securities and Exchange Commission, Washington, D. C.-----	11521
Mitchell, Charles E., chairman, Blyth & Co., Inc. New York, N. Y.-----	11549-11604
Ripley, Joseph P., president and director, Harriman Ripley & Co. Incorporated, New York, N. Y.-----	11408-11417, 11425-11426
Russell, Stanley A., Lazard Frères & Co., New York, N. Y.-----	11479-11485, 11511
Stewart, Percy M., Kuhn, Loeb & Co., New York, N. Y.-----	11456-11478
Sturgis, Henry S., vice president, First National Bank of New York, New York, N. Y.-----	11427-11478
Whitehead, W. S., security analyst, Securities and Exchange Commission, Washington, D. C.-----	11439
Woods, George D., vice president and director, The First Boston Corporation, New York, N. Y.-----	11502-11505, 11512-11545
Statement of—	
Henderson, Leon, commissioner, Securities and Exchange Commission, Washington, D. C.-----	11383-11384

BROWN BROTHERS HARRIMAN & CO.—HARRIMAN RIPLEY & CO. INCORPORATED

Purposes of Investment Banking hearing-----	11383
Organization of Brown Brothers Harriman & Co.-----	11385
Source of personnel of Brown Harriman & Co., Incorporated-----	11388
Stock ownership by Harriman family in Brown Harriman & Co., Incorporated-----	11394
Powers under partnership agreement-----	11397
The Banking Act of 1933-----	11401
Voting trust for stock of Harriman Ripley & Co., Incorporated-----	11411
Interest of Harriman family in Brown Brothers Harriman & Co. and in Harriman Ripley & Co., Incorporated-----	11404
Voting trust for stock of Harriman Ripley & Co., Incorporated—The voting trustees-----	11406
Officers and directors of Harriman Ripley & Co., Incorporated, and their prior affiliations-----	11408
Statement by W. Averell Harriman—Formation of Brown Harriman & Co., Incorporated—Interests of Harriman family—Question of control—Compliance with the Banking Act-----	11419
Efforts to procure capital in formation of Brown Harriman & Co., Incorporated-----	11425

FINANCING OF CHICAGO STATION COMPANY

Chicago Union Station Co. financing, 1915-36—Sources of documents-----	11426
Identification of witnesses-----	11428
Ownership of Chicago Union Station Co.-----	11430

	Page
Agreements among investment banking houses on participations in Chicago Union Station Co. financing.....	11431
First Chicago Union Station Issue—\$30,000,000 First mortgage-4½-percent series A bonds, February 1916.....	11432
Subsequent issues—1920 to 1924.....	11435
The 1935 refunding—Effects of the Banking Act of 1933.....	11440
The selection of underwriting associates.....	11442
Temporary placing of First National Bank's underwriting interest.....	11443
Efforts of Edward B. Smith & Co. to obtain a participation in the 1935 issue.....	11445
Transfer of Continental Illinois Bank & Trust Co.'s underwriting interest to Field, Gloré & Co.....	11447
First National Bank designates Edward B. Smith & Co., White, Weld & Co., and Lazard Frères & Co. to receive its underwriting interest.....	11452
Question of applicability of interlocking directorate provisions of Clayton Act and Transportation Act of 1920.....	11455
Summary of participations in the 1935 issues.....	11459
The 1936 refunding—Changes in participations necessitated by entry of Morgan Stanley & Co. Incorporated.....	11462
Field, Gloré & Co. requests assistance of Ralph Budd in obtaining a position in syndicate.....	11467
Changes in participations necessitated by entry of Morgan Stanley & Co., Inc.—Resumed.....	11468
Extent to which Chicago Union Station group had become crystallized—Use of term "not a precedent".....	11473

FINANCING OF PACIFIC GAS & ELECTRIC COMPANY

National City Co. accounts and their subsequent financing.....	11480
The Pacific Gas & Electric Co. account.....	11482
Future disposition of National City Company accounts.....	11484
C. E. Mitchell joins Blyth & Co. Inc.....	11486
The P. G. & E. financing.....	11488
Heirship of National City Co. business.....	11492
The first P. G. & E. financing—1935.....	11496
The benefits of position in advertising.....	11499
Question of agreement between Ripley and Russell.....	11500
Plan of fight on Rayburn Bill.....	11505
Question of permanence of the P. G. & E. underwriting group.....	11507
Denial by Mr. Russell of agreement between himself and Mr. Ripley.....	11511
Organization and predecessors of the First Boston Corporation.....	11512
Offer of stock to employees and officers.....	11513
Acquisition by The First Boston Corporation of "preferential rights" of the Chase Harris Forbes Companies.....	11514
Executive personnel and stockholders of The First Boston Corporation.....	11516
Investment banking by a public corporation.....	11519
Realignments in investment banking business—1933-1934.....	11521
The Harris Trust & Savings Bank and Harris, Forbes & Company agreement.....	11525
Ownership of stock in Harris, Hall & Co. by officers of the First Boston Corporation.....	11527
Mr. Addinsell's records of The First Boston Corporation participations.....	11529
Relation of Albert W. Harris to The First Boston Corporation and to Southern California Edison Co.....	11535
Preparation of Southern California Edison Co. syndicate.....	11540
Relationship between Harris, Hall & Company and The First Boston Corporation.....	11548

CHARLES E. MITCHELL—BLYTH & CO., INC.

	Page
Return of "the Morgan people" to the investment banking business..	11551
The Illinois Bell Telephone financing, 1935.....	11554
Utility holding companies to which Morgan Stanley & Co., Incorporated, had succeeded J. P. Morgan & Co. as banker.....	11556
Position of Blyth & Co. in the Consolidated Edison Co. financing— Percentage participation of Blyth & Co. to participation of Morgan Stanley & Co., Incorporated.....	11560
Discussion with Floyd Carlisle relative to future Consolidated Edison Co. business.....	11563
Competition in investment banking.....	11566
The Telephone account.....	11570
The Telephone group.....	11573
Value of opening deposit account with J. P. Morgan & Co. to an investment banking house.....	11577
Morgan Stanley & Co. "survey of street conditions".....	11582
Performance records kept by Morgan Stanley & Co., Incorporated..	11584
The October 1937 crisis—Possible readjustments among investment banking firms.....	11587
Non-receptivity of Blyth & Co., Inc., to special capital.....	11589
Morgan Stanley & Co. questionnaire on underwriting activities of Blyth & Co., Inc.....	11592
Mr. Leib's record of reciprocal obligations.....	11595
How reciprocity works in practice—Significance of reciprocity.....	11598
Reciprocal obligations as "combinations in restraint of trade".....	11602
Schedule of exhibits.....	vii
Tuesday, December 12, 1939.....	11383
Wednesday, December 13, 1939.....	11479
Thursday, December 14, 1939.....	11547
Appendix.....	11605
Supplemental data.....	11795
Index.....	i

SCHEDULE OF EXHIBITS

Number and summary of exhibits	Intro- duced at page	Appears on page
1526. Letter from Willet C. Roper, secretary, Harriman Ripley & Co. Incorporated, to Peter R. Nehemkis, Jr. transmitting— certificate of incorporation, certificate of change of provisions of the certificate of incorporation, certificate of classification of shares, certificate of change of name to Harriman Ripley & Co., Incorporated, and certificate of reclassification of shares of Brown Harriman & Co., Incorporated, together with the certificates listed-----	11388	(1)
1527. Table: Officers and directors of Brown Harriman & Co., Incorporated, June 21, 1935-----	11389	11605
1528. Letter dated June 4, 1934 from James H. Perkins, chairman of the board of directors, The National City Bank of New York, to the shareholders giving notice that The City Company will discontinue the securities business and wind up its affairs pursuant to the Banking Act of 1933-----	11393	11606
1529. Table: Senior officers of The City Company of New York, Incorporated (in dissolution, formerly The National City Company) who were serving January 1, 1933 but have left the service since that date-----	11393	11607
1529. Sections of the Banking Act of 1933 pertaining to the divorcement of security affiliates and the segregation of commercial from investment banking (Sec. 20, 21 and 22) together with amendments thereto in the Banking Act of 1935-----	11402	11607
1531. Table: Per cent of total voting stock, preferred and common, including voting trust certificates of Harriman Ripley & Co., Incorporated, by holders, December 12, 1939-----	11404	11609
1532. Table: Officers and directors of Harriman Ripley & Co., Incorporated, November, 1939-----	11410	11610
1533. Voting trust agreement dated October 24, 1938, between Stockholders of Brown Harriman & Co., Incorporated and Frederick Baldwin Adams, George Adams Ellis and Joseph Pierce Ripley, voting trustees-----	11412	(1)
1534. Table: Originations of bond issues by all houses originating \$20,000,000 or more per annum, 1927-1930-----	11416	11611
1535. Letter dated February 10, 1931 from C. E. Mitchell, The National City Bank, to Mr. Julian W. Blount, clerk, Senate Committee on Banking and Currency. Table: Originations of bond issues by all houses originating \$20,000,000 or more per annum, and volume of issues, in addition to their own originations, participated in by all houses originating \$20,000,000 or more per annum, 1927-1930-----	11416	11612

¹ On file with the committee.

Number and summary of exhibits	Introduced at page	Appears on page
1536. Letter dated December 6, 1939 from W. A. Harriman to Peter R. Nehemkis, Jr. describing (a) Capital interests in Brown Brothers Harriman & Co., (b) Right of capital partners with respect to firm commitments, (c) Method of admission of new partners, and (d) Method of determining distribution of profits-----	11419	11613
1537. Schedules showing the originations, participations and profits of Harriman Ripley & Co., Incorporated from June 30, 1934 to August 18, 1939-----	11425	(1)
1538-1. Letter dated November 15, 1939 from H. A. Scandrett, trustee of Chicago, Milwaukee, St. Paul and Pacific Railroad Company to Peter R. Nehemkis, Jr. enclosing copy of letter to Senate Committee on Interstate Commerce.		
Letter dated November 16, 1939 from H. A. Scandrett, trustee of Chicago, Milwaukee, St. Paul and Pacific Railroad Company to Senate Committee on Interstate Commerce consenting to the use by the Securities & Exchange Commission of documents relating to Chicago Union Station Company financing-----	11428	11614
1538-2. Letter dated November 13, 1939 from Kuhn, Loeb & Co. to Peter R. Nehemkis, Jr. enclosing copy of letter to Senate Committee on Interstate Commerce. Letter dated November 13, 1939 from Kuhn, Loeb & Co. to Senate Committee on Interstate Commerce consenting to the use by the Securities & Exchange Commission of documents relating to Chicago Union Station Company financing-----	11428	11614
1538-3. Letter dated November 24, 1939 from George H. Pabst, Jr., asst. vice president, Pennsylvania Railroad Company, to Senate Committee on Interstate Commerce (copy to Peter R. Nehemkis, Jr.) consenting to the use by the Securities & Exchange Commission of documents relating to Chicago Union Station Company financing-----	11428	11615
1539-1. Letter dated November 10, 1939 from Peter R. Nehemkis, Jr. to Kuhn, Loeb & Co. requesting consent to use of documents on file with Senate Committee on Interstate Commerce relating to Chicago Union Station Company financing-----	11428	11615
1539-2. Letter dated November 10, 1939 from Peter R. Nehemkis, Jr. to The Chicago, Milwaukee, St. Paul and Pacific Railroad Co. requesting consent to use of documents on file with Senate Committee on Interstate Commerce relating to Chicago Union Station Company financing-----	11428	11616
1539-3. Letter dated November 10, 1939 from Peter R. Nehemkis, Jr. to The Pennsylvania Railroad Co. requesting consent to use of documents on file with the Senate Committee on Interstate Commerce relating to Chicago Union Station Company financing-----	11428	11617
1540. Letter dated January 18, 1915 from F. L. Higginson, Jr., Lee Higginson & Co., to Mortimer L. Schiff, Kuhn, Loeb & Co. enclosing telegram from Mr. Lane to Mr. Schweppe, Lee, Higginson & Co. Copy of telegram dated May 17, 1912, unsigned (from Mr. Lane of Lee, Higginson & Co.) to C. H. Schweppe, Lee, Higginson & Co., concerning tentative agreement between Kuhn, Loeb & Co. and Lee, Higginson & Co. on Chicago Union Station Company financing-----	11341	11617

¹ Marked for identification only.

Number and summary of exhibits	Introduced at page	Appears on page
1541. Letter dated January 19, 1915 from Lee, Higginson & Co. to Kuhn, Loeb & Co. confirming conversation between Mortimer L. Schiff and F. L. Higginson regarding equal share of two groups in Chicago Union Station Company financing-----	11431	11618
1542. Letter dated January 20, 1915, without signature (from Kuhn, Loeb & Co.) to Lee, Higginson & Co. confirming letter of January 19, 1915 and listing members of Lee, Higginson & Co. and Kuhn, Loeb & Co. groups-----	11431	11618
1543. Memorandum dated February 1, 1915 by Mortimer L. Schiff, Kuhn, Loeb & Co., regarding agreements between Lee, Higginson & Co. and Kuhn, Loeb & Co. and between National City Bank and Kuhn, Loeb & Co. on Chicago Union Station Company financing-----	11431	11619
1544. Memorandum dated July 23, 1911 by Mortimer L. Schiff concerning request of White, Weld & Co. for a position in Chicago Union Station Company financing-----	11432	11432
1545. Memorandum dated June 16, 1915 by F. D. B. (Francis D. Bartow), First National Bank, concerning the price of a forthcoming issue of Chicago Union Station Co. bonds and the participants therein-----	11433	11619
1546. Letter dated February 8, 1916 from Donald G. Geddes, Clark, Dodge & Co., to Jerome J. Hanauer, Kuhn, Loeb & Co., requesting a \$1,000,000 participation in Chicago Union Station Company financing-----	11434	11434
1547-1. Letter dated February 9, 1916, without signature (from Kuhn, Loeb & Co.) to Clark, Dodge & Co. confirming a \$2,000,000 interest of Clark, Dodge & Co.-----	11434	11620
1547-2. Letter dated February 9, 1916 from Clark, Dodge & to Kuhn, Loeb & Co. confirming their interest in Chicago Union Station Company financing-----	11434	11620
1548. Table: Participants, amounts and percentages in Chicago Union Station Company \$30,000,000, First Mortgage Bonds, 4½%, Series A, dated January 1, 1916, due July 1, 1963, and offered February, 1916-----	11434	11621
1549-1. Letter dated April 27, 1920 from J. J. Turner, president, Chicago Union Station Company, to Kuhn, Loeb & Co. and others describing the issue of \$10,000,000 First Mortgage Bonds, 6½%, Series C-----	11435	11621
1549-2. Letter dated April 27, 1920 from J. J. Turner to Kuhn, Loeb & Co. and others confirming the sale of Chicago Union Station Company \$10,000,000 First Mortgage Bonds, 6½%, Series C-----	11435	11622
1550. Table: Participants, amounts and percentages in Chicago Union Station Company \$10,000,000 First Mortgage Bonds, 6½%, Series C, dated January 1, 1920, due July 1, 1963 and offered in April, 1920-----	11435	11623
1551-1. Letter dated May 26, 1921 from J. J. Turner to Kuhn, Loeb & Co. and others confirming the sale of Chicago Union Station Company \$6,000,000 First Mortgage Bonds, 6½%, Series C-----	11436	11623
1551-2. Letter dated May 26, 1921, without signature (from Kuhn, Loeb & Co.) to J. J. Turner, president, Chicago Union Station Company, acknowledging letter of May 26-----	11436	11624

Number and summary of exhibits	Introduced at page	Appears on page
1552. Table: Participants, amounts and percentages in Chicago Union Station Company \$6,000,000 First Mortgage Bonds, 6½%, Series C, dated January 1, 1920, due July 1, 1963 and offered in May, 1921----	11436	11624
1553-1. Letter dated May 27, 1921, without signature (from Kuhn, Loeb & Co.) to Lee, Higginson & Co. and others confirming their one-half interest in Chicago Union Station Company \$6,000,000 First Mortgage Bonds, 6½%, Series C-----	11436	11625
1553-2. Letter dated May 27, 1921, without signature (from Kuhn, Loeb & Co.) to Pierpont V. Davis, vice president, The National City Company, confirming its interest in the Chicago Union Station Company \$6,000,000 First Mortgage Bonds, 6½%, Series C-----	11436	11625
1553-3. Letter dated May 27, 1921 from Lee, Higginson & Co. to Kuhn, Loeb & Co. confirming their one-half interest in the Chicago Union Station Company \$6,000,000 First Mortgage Bonds, 6½%, Series C-----	11436	11625
1553-4. Letter dated May 27, 1921 from Pierpont V. Davis, vice president, The National City Company, to Kuhn, Loeb & Co. confirming its interest in Chicago Union Station Company \$3,000,000 First Mortgage Bonds, 6½%, Series C-----	11436	11626
1554-1. Letter dated May 23, 1922 from J. J. Turner, president, Chicago Union Station Company, to Kuhn, Loeb & Co. and others describing the issue of Chicago Union Station Company \$6,150,000 First Mortgage Bonds, 5%, Series B-----	11436	11626
1554-2. Letter dated May 22, 1922 from Kuhn, Loeb & Co. and others to J. J. Turner, president, Chicago Union Station Company, confirming purchase of \$6,150,000 First Mortgage Bonds, 5%, Series B-----	11436	11627
1555. Table: Participants, amounts and percentages in Chicago Union Station Company \$6,150,000 First Mortgage Bonds, 5%, Series B, dated January 1, 1919, due July 1, 1963 and offered in May, 1922----	11437	11627
1556-1. Letter dated January 11, 1924 from Samuel Rea, president, Chicago Union Station Company, to Kuhn, Loeb & Co. and others confirming the sale of \$7,000,000 First Mortgage Bonds, 5%, Series B----	11437	11628
1556-2. Letter dated January 12, 1924, without signature (from Kuhn, Loeb & Co.) to Samuel Rea, president, Chicago Union Station Company, confirming the purchase of \$7,000,000 First Mortgage Bonds, 5%, Series B-----	11437	11628
1557. Table: Participants, amounts and percentages in Chicago Union Station Company \$7,000,000 First Mortgage Bonds, 5%, Series B, dated January 1, 1919, due July 1, 1963 and offered in January, 1924----	11437	11629
1558-1. Letter dated November 12, 1924 from Samuel Rea to Kuhn, Loeb & Co. and others confirming the sale of Chicago Union Station Company \$7,000,000 5% Guaranteed Bonds-----	11437	11629
1558-2. Letter dated November 14, 1924 from Kuhn, Loeb & Co. to Samuel Rea confirming the purchase of Chicago Union Station Company \$7,000,000 5% Guaranteed Bonds-----	11437	11630
1559. Table: Participants, amounts and percentages in Chicago Union Station Company \$7,000,000 5% Guaranteed Bonds, dated December 1, 1924, due December 1, 1944 and offered in November, 1924----	11438	11630

SCHEDULE OF EXHIBITS

XI

Number and summary of exhibits	Introduced at page	Appears on page
1560. Table: Percentage of interest of investment banking houses in security issues of the Chicago Union Station Company, 1916-1924-----	11439	11438
1561. File of documents from Lee Higginson Corporation relating to Chicago Union Station Company financing. (Individual documents from this file were subsequently introduced at the hearing and were given separate exhibit numbers.)-----	11439	(1)
1562. File of documents from Harriman Ripley & Co., Incorporated, relating to Chicago Union Station Company financing. (Individual documents from this file were subsequently introduced at the hearing and were given separate exhibit numbers.)-----	11439	(1)
1563. File of documents from Smith, Barney & Co. relating to Chicago Union Station Company financing. (Individual documents from this file were subsequently introduced at the hearing and were given separate exhibit numbers.)-----	11440	(1)
1564. File of documents from The First Boston Corporation relating to Chicago Union Station Company financing. (Individual documents from this file were subsequently introduced at the hearing and were given separate exhibit numbers.)-----	11440	(1)
1565. Letter dated July 12, 1934 from W. W. K. Sparrow, vice president and comptroller, Chicago Union Station Company, to W. W. Atterbury, president, Chicago Union Station Company, concerning conversations with Pierpont V. Davis and George W. Bovenizer on refunding the \$16,000,000 6½%, Series C, issue-----	11441	11631
1566. Letter dated August 6, 1934 from A. J. County, vice president, The Pennsylvania Railroad Company, to W. W. K. Sparrow, vice president and comptroller, Chicago Union Station Company, concerning refunding the \$16,000,000, 6½%, Series C Bonds-----	11442	11632
1567. Letter dated September 1, 1934 from W. W. K. Sparrow to A. J. County, vice president, The Pennsylvania Railroad, and Bruce Scott, vice president and general counsel, Chicago, Burlington & Quincy Railroad Co. stating terms of refinancing of \$16,000,000 Chicago Union Station Company, 6½%, Series C Bonds-----	11443	11632
1568. Memorandum dated August 29, 1934 by H. S. Sturgis, First National Bank, concerning designation by First National Bank of someone to take its place temporarily in Chicago Union Station Company refunding-----	11443	11443
1569. Diary entries dated September 5, 1934 to March 16, 1935 by J. W. C. (J. W. Cutler) and K. W. (Karl Weisheit), E. B. Smith & Co., concerning interest in Chicago Union Station Company refunding-----	11446	11633
1570. Letter dated February 28, 1935, without signature (from Charles F. Glore, Field, Glore & Co.) to Ralph Budd, president, Chicago, Burlington & Quincy Railroad Company, asking for assistance in securing an interest for Field, Glore & Co. in Chicago Union Station Company financing-----	11448	11634
1571. Telegram dated March 5, 1935 from C. F. G. (Charles F. Glore) to J. R. F. (J. Russell Forgan) (both of Field, Glore & Co.) concerning Budd's speaking to Clement and Sparrow-----	11448	11631

¹ On file with the committee.

Number and summary of exhibits	Introduced at page	Appears on page
1572. Telegram, undated, from J. R. F. (J. Russell Forgan) to C. F. G. (Charles F. Glore) concerning County's support and possibility that the I. C. C. may insist on public bidding-----	11448	11448
1573. Telegram dated March 5, 1935 from C. F. G. (Charles F. Glore) to J. R. F. (J. Russel Forgan) stating Kuhn, Loeb & Co. has been informed that Continental Illinois National Bank would like Field, Glore & Co. to have its interest in Chicago Union Station Company financing-----	11449	11449
1574. Letter dated March 11, 1935 from Charles F. Glore to J. Russel Forgan describing the two groups forming the Chicago Union Station account-----	11449	11635
1575. Letter dated March 23, 1935 from James J. Lee, assistant secretary, Lee Higginson Corporation, to Field, Glore & Co. granting Field, Glore & Co. a 10% interest in Chicago Union Station Company \$16,000,000 First Mortgage Bonds, 4% Series D-----	11450	11635
1576. Memorandum dated March 7, 1935 by L. F. H. (Leverett F. Hooper, vice president, First National Bank of New York) describing the nomination of Edward B. Smith & Co., Lazard Freres & Co., Inc. and White, Weld & Co. to receive the former interest of the First National Bank in Chicago Union Station Company financing-----	11451	11636
1577. Memorandum dated March 13, 1935 by L. F. H. (Leverett F. Hooper) describing the notification of Edward B. Smith & Co., Lazard Freres & Co., Inc. and White, Weld & Co. of their receipt of the former interest of the First National Bank-----	11453	11636
1578. Memorandum dated May 6, 1935 from J. W. C. (John W. Cutler) to Mr. (H. D.) Moore of Edward B. Smith & Co., confirming the request of the First National Bank to allocate 6 $\frac{3}{4}$ % of its former 10% interest to Edward B. Smith & Co-----	11454	11637
1579. Memorandum dated March 22, 1935 by H. D. Moore, Edward B. Smith & Co., noting the percentages of the members of the purchase group in the Chicago Union Station Company \$16,000,000 First Mortgage, 4%, Bonds, Series D and describing the method by which Edward B. Smith & Co. obtained an interest-----	11454	11637
1580. Memorandum dated March 18, 1935 by H. M. Addin- sell, chairman, executive committee, The First Boston Corporation, relating to the invitation by Lee Higginson Corporation to The First Boston Corporation to participate in the Chicago Union Station Company issue-----	11455	11638
1581. Letter dated March 15, 1935 from Percy M. Stewart, Kuhn, Loeb & Co., to W. W. K. Sparrow, vice president, Chicago Union Station Company, suggesting consideration of effect of Clayton Act on the sale of the bonds in view of participation of Field, Glore & Co-----	11456	11638
1582-1. Extract from Section 20 of the Clayton Act-----	11456	11639
1582-2. Extract from Section 20a (12) of the Interstate Commerce Act-----	11456	11639
1583. Letter dated November 17, 1939 from Charles F. Glore of Glore, Forgan & Co. to Peter R. Nehemkis, Jr. stating that no opinion of counsel was obtained on the legality of the participation of Field, Glore & Co. in four Chicago Union Station Company issues-----	11457	11639

Number and summary of exhibits	Introduced at page	Appears on page
1584. Telegram dated March 20, 1935 from W. W. K. Sparrow, Chicago Union Station Company, to Percy M. Stewart, Kuhn, Loeb & Co., stating that participation of Field, Glore & Co. will not affect validity of bonds-----	11457	11457
1585. Letter dated November 30, 1939 from Edith J. Alden, secretary and asst. treasurer, Chicago, Burlington & Quincy Railroad Company, to Peter R. Nehemkis, Jr. regarding participation of Field, Glore & Co. in Chicago Union Station Company financing. Opinion of Bruce Scott, vice president and general counsel, Chicago, Burlington & Quincy Railroad Company, regarding guaranty by the Burlington of the Chicago Union Station Company \$16,000,000, 4% First Mortgage Bonds, Series D. (Exhibit No. 13 before the Interstate Commerce Commission.)-----	11459	11640
1586-1. Letter dated March 22, 1935, without signature (from Kuhn, Loeb & Co.) to Lee Higginson Corporation confirming the one-half interest of Lee Higginson Corporation in the \$16,000,000 Chicago Union Station Company 4% First Mortgage Bonds, Series D, due July 1, 1963 and the \$2,100,000 4% Guaranteed Bonds, due April 1, 1944-----	11460	11641
1586-2. Letter dated March 23, 1935 from James J. Lee, assistant secretary, Lee Higginson Corporation, to Kuhn, Loeb & Co. acknowledging receipt of their letter of March 22 and confirming it-----	11460	11641
1587. Chart: Changes in 1935 from established interests in Chicago Union Station Company financing and the reductions necessitated by the entry of Morgan Stanley & Co. Incorporated in 1936 financing-----	11461	Faces 11641
1588-1. Table: Participants, amounts and percentages in Chicago Union Station Company \$16,000,000 First Mortgage Bonds, 4%, Series D, dated January 1, 1935, due July 1, 1963 and offered in March, 1935-----	11462	11642
1588-2. Table: Participants, amounts and percentages in Chicago Union Station Company \$2,100,000 Guaranteed Bonds, 4%, dated April 1, 1935, due April 1, 1944, and offered in March, 1935-----	11462	11642
1589. Memoranda dated February 27 and 28, 1935 from H. S. S. (Henry S. Sturgis, vice president, First National Bank) to Mr. (Leverett F.) Hooper (vice president, First National Bank) regarding changes in percentage interests in forthcoming Chicago Union Station Company issue caused by presence of Morgan Stanley & Co-----	11463	11643
1590. Letter dated January 25, 1936, without signature (from C. F. Glore, Field, Glore & Co.) to Ralph Budd, president, Chicago, Burlington & Quincy Railroad Company, requesting his help in Field, Glore & Co.'s efforts to retain an interest in forthcoming Chicago Union Station Company issue-----	11467	11643
1591. Letter dated January 27, 1936 from Ralph Budd to Charles F. Glore agreeing to write Mr. County on behalf of Field, Glore & Co-----	11467	11648
1592. Letter dated February 1, 1936 from Ralph Budd to Charles F. Glore informing him of Mr. County's willingness to have Field, Glore's participation in the Chicago Union Station Company's refunding receive full consideration-----	11468	11648

Number and summary of exhibits	Intro- duced at page	Appears on page
1593. Diary entries dated February 27, 1936 by J. W. C. (John W. Cutler, Edward B. Smith & Co.) regarding Chicago Union Station Company's \$43,000,000 refunding issue-----	11468	11644
1594. Diary entry dated February 28, 1936 by K. W. (Karl Weisheit, Edward B. Smith & Co.) giving E. N. Jesup's explanation of the reduction in Edward B. Smith & Co.'s interest in the Chicago Union Station Company issue-----	11469	11644
1595. Memorandum dated March 3, 1936 by G. W. Speer, Edward B. Smith & Co., accounting for the reduction in Edward B. Smith & Co.'s interest in the \$44,000,000 Chicago Union Station Company issue in comparison with the interest in the \$16,000,000 issue in 1935-----	11471	11644
1596-1. Letter dated March 2, 1936 from Kuhn, Loeb & Co. to Lee Higginson Corporation confirming the one-half interest of Lee Higginson Corporation in the Chicago Union Station Company \$44,000,000 First Mortgage Bonds, 3¾%, Series E, due July 1, 1963-----	11472	11645
1596-2. Letter dated March 2, 1936 from Lee Higginson Corporation to Morgan Stanley & Co. Incorporated confirming the interest of Morgan Stanley & Co. in the Chicago Union Station Company \$44,000,000 First Mortgage Bonds, 3¾%, Series E, due July 1, 1963, together with percentages of other participants-----	11472	11646
1596-3. Letter dated March 2, 1936 from Kuhn, Loeb & Co. to Pierpont V. Davis, vice president, Brown Harriman & Co., Incorporated confirming the interest of Brown Harriman & Co. in the Chicago Union Station Company \$44,000,000 First Mortgage Bonds, 3¾%, Series E, due July 1, 1963, together with percentages of other participants-----	11472	11646
1597-1. Table: Participants, amounts and percentages in Chicago Union Station Company \$44,000,000 First Mortgage Bonds, 3¾%, Series E, dated January 1, 1936, due July 1, 1963 and offered in April, 1936-----	11474	11647
1597-2. Table: Participants, amounts and percentages in Chicago Union Station Company \$7,000,000 Guaranteed Bonds, 3½%, dated September 1, 1936, due September 1, 1951 and offered in April, 1936-----	11474	11647
1598. Memorandum dated September 22, 1934 by S. A. Russell, Lazard Freres & Co., Inc., on conversation with A. F. Hockenbeamer, Pacific Gas & Electric Co., concerning possibility of banking relationship-----	11483	11648
1599. Memorandum dated October 2, 1934 by S. A. Russell, Lazard Freres & Co. Inc., on conversation with George Leib of Blyth & Co. concerning P. G. & E. financing-----	11484	11648
1600-1. Stipulation dated December 13, 1939 identifying documents from the files of Lazard Freres & Co.-----	11485	11649
1600-2. Telegram dated February 16, 1935 from S. A. Russell to John D. Harrison, Lazard Freres & Co., Inc., regarding Blyth & Co.'s position in Pacific Gas & Electric financing-----	11485	11649
1600-3. Letter dated April 15, 1935 from S. A. Russell, Lazard Freres & Co., Inc., to A. F. Hockenbeamer, Pacific Gas & Electric, referring to questions of law firms, auditors, and liability under the Securities Act in Southern California Edison financing, and discussing significance of Pacific Gas & Electric financing-----	11485	11650

SCHEDULE OF EXHIBITS

XV

Number and summary of exhibits	Introduced at page	Appears on page
1600-4. Memorandum dated December, 1934 from George L. Burr to S. A. Russell, Lazard Freres & Co., Inc., relating to Pacific Gas & Electric refunding operation-----	11485	11652
1600-5. Memorandum dated December 27, 1934 by S. A. Russell relating to telephone conversation with A. F. Hockenbeamer regarding private financing of Pacific Gas & Electric-----	11485	11653
1600-6. Telegram dated February 18, 1935 from John D. Harrison to S. A. Russell regarding second talk with Davis and Sylvester on position of Brown Harriman & Co-----	11485	11653
1600-7. Telegram dated February 20, 1935 from John D. Harrison to S. A. Russell regarding Sylvester and Davis' preferring to withdraw rather than to accept third position-----	11485	11654
1600-8. Letter dated February 21, 1935, without signature (from Lazard Freres & Co.) to James K. Lohead, American Trust Company, regarding relative positions of Brown Harriman & Co. and Blyth & Co-----	11485	11654
1600-9. Telegram dated February 28, 1935 from S. A. Russell to John D. Harrison announcing formation of a group for Pacific Gas & Electric Co. issue, and discussing position of Brown Harriman & Co. and proposals as to coupon rate of bonds-----	11485	11654
1600-10. Letter dated April 6, 1935 from A. F. H. (A. F. Hockenbeamer, president, Pacific Gas & Electric Co.) to S. A. Russell inquiring about counsel, auditors and liability under the Securities Act in Southern California Edison Company's refunding issue-----	11485	11655
1600-11. Letter dated September 6, 1935 from Roy L. Shurtleff, Blyth & Co., Inc., to S. A. Russell, Lazard Freres & Co., outlining a conversation between Russell, A. F. Hockenbeamer and Shurtleff regarding bond syndicate management in future Pacific Gas & Electric Company issues-----	11485	11655
1600-12. Letter dated September 12, 1935 from S. A. Russell, Lazard Freres & Co., Inc., to Roy L. Shurtleff, Blyth & Co., Inc., concerning Mr. Shurtleff's letter, and assuring consideration of the question of bond syndicate management before the next Pacific Gas & Electric Co. issue-----	11485	11656
1600-13. Telegram dated February 8, 1936 from S. A. Russell to (George) Ramsey and (J. D.) Harrison, Lazard Freres & Co., Inc., concerning Lazard Freres & Co.'s position in April, 1936 issue of Pacific Gas & Electric Co-----	11485	11656
1600-14. Memorandum dated February 27, 1936 by S. A. Russell giving participations arranged for \$90,000,000, Pacific Gas & Electric Co. issue, and efforts to obtain second place for Lazard Freres & Co., Inc-----	11485	11657
1600-15. Letter dated April 1, 1936, without signature (from S. A. Russell, president, Lazard Freres & Co., Inc.) to James B. Black, president, Pacific Gas & Electric Co., requesting reconsideration of position of Lazard Freres & Co. in rumored forthcoming issue of Pacific Gas & Electric Co-----	11485	11658
1600-16. Telegram dated April 3, 1936 from (J. D.) Harrison to S. A. Russell, Lazard Freres & Co., Inc., suggesting reasons for an improvement in the position of Lazard Freres & Co. in future Pacific Gas & Electric Co. financing-----	11485	11659

Number and summary of exhibits	Intro- duced at page	Appears on page
1601. Letter dated September 14, 1935 from Charles Blyth to George Leib, Blyth & Co., Inc., regarding relationship with Morgan Stanley & Co. Incorporated and other matters.	11488	11660
1602. Table: \$25,000,000 Pacific Gas & Electric Co. First and Refunding Mortgage Gold Bonds, Series F, due June 1, 1960 and offered in July, 1930, giving the names, amounts, and percentages of the original terms participants and the names of the members of the distributing group.	11490	11662
1603. Table: \$25,000,000 Pacific Gas & Electric Co. First and Refunding Mortgage Gold Bonds, Series F, 4½%, due June 1, 1960 and offered in January, 1931, giving the names, amounts and percentages of the original terms participants and the names of the members of the distributing group.	11490	11663
1604. Letter dated April 14, 1936 from Eugene M. Stevens, Blyth & Co., Inc., to Harris Creech, president, Cleveland Trust Company, denying that any New York firm has a right to inherit National City Company business and stressing importance of Charles E. Mitchell in National City Co. development.	11492	11665
1605. Letter dated October 14, 1936, from Eugene M. Stevens to Harris Creech denying claim of Brown Harriman & Co. to inheritance of National City Company business and requesting opportunity for Blyth & Co. to present financing proposals to Firestone Tire & Rubber Co.	11492	11666
1606. Letter dated February 21, 1935, without signature (from George Leib, Blyth & Co., Inc.) to James Black, North American Company, mentioning desire of American Trust Co. to have Blyth & Co. as heir to its interest in Pacific Gas & Electric Co. business, referring to Blyth's historic connection with Pacific Gas & Electric Co., and suggesting two alternative percentage divisions among participants.	11493	11666
1607. Telegram dated February 15, 1935 from George Leib to Charles R. Blyth suggesting possible assistance in securing first place in forthcoming Pacific Gas & Electric Co. issue for Blyth & Co.	11496	11667
1608. Letter dated February 16, 1935 from Charles R. Blyth to George Leib, regarding close connection between A. F. Hockenbeamer of Pacific Gas & Electric Co. and Stanley A. Russell of Lazard Freres & Co.	11498	11668
1609. Telegram dated February 19, 1935 from George Leib to Charles R. Blyth regarding Blyth & Co.'s position in Pacific Gas & Electric Co. financing.	11498	11669
1610. Telegram dated February 19, 1935 from George Leib to Charles R. Blyth reciting S. A. Russell's telling of agreement with Brown Harriman & Co. under which he would handle his own accounts.	11500	11669
1611-1. Telegram dated February 20, 1935 from George Leib to Charles R. Blyth reciting S. A. Russell's agreement to give Brown Harriman & Co. second place if Lazard Freres & Co. headed Pacific Gas & Electric Co. financing.	11500	11669
1611-2. Telegram dated February 21, 1935 from George Leib to Charles R. Blyth suggesting attempt to take leadership away from Lazard Freres & Co.	11500	11670
1611-3. Telegram dated February 21, 1935 from George Leib to Charles R. Blyth stressing importance of Blyth & Co.'s position in present Pacific Gas & Electric Company issue because of future duration of the syndicate.	11500	11670

SCHEDULE OF EXHIBITS

XVII

Number and summary of exhibits	Intro- duced at page	Appears on page
1611-4. Telegram dated February 21, 1934 from George Leib to Charles R. Blyth summarizing letter sent to James D. Black ("Exhibit No. 1606")-----	11500	11670
1611-5. Telegram dated February 22, 1935 from George Leib to Roy L. Shurtleff, Blyth & Co. Inc., suggesting persons influential in Pacific Gas & Electric Company affairs to break the impasse over leadership-----	11500	11671
1611-6. Telegram dated February 22, 1935 from George Leib to Bernard W. Ford, Blyth & Co., Inc., welcoming Ford's entry into Blyth's fight for leadership-----	11500	11, 671
1612. Telegram dated March 23, 1935 from George Ramsey to George D. Woods, The First Boston Corporation, referring to conflicting versions of S. A. Russell and J. P. Ripley concerning understanding as to business formerly participated in but not headed by National City Company-----	11503	11672
1613. Telegram dated February 22, 1935 from George Leib to Bernard W. Ford, Blyth & Co., Inc., regarding telegram campaign against the Rayburn Bill-----	11506	11672
1614-1. Telegram dated February 25, 1935 from Bernard W. Ford to George Leib describing developments in Blyth & Co.'s efforts to obtain leadership of Pacific Gas & Electric Company financing-----	11509	11672
1614-2. Telegram dated March 4, 1935 from Roy L. Shurtleff to George Leib, Blyth & Co., Inc., regarding formation of syndicate for Pacific Gas & Electric Company issue-----	11509	11673
1614-3. Telegram dated March 4, 1935 from Roy L. Shurtleff to Eugene Bashore, Blyth & Co., Inc., suggesting that further negotiations on Pacific Gas & Electric syndicate be held in New York and suggesting consideration on effect of Blyth & Co.'s Public Utility bill activities on their position in syndicate-----	11509	11673
1614-4. Telegram dated March 5, 1935 from Roy L. Shurtleff to George Leib regarding final setting of Pacific Gas & Electric syndicate-----	11509	11673
1614-5. Telegram dated March 14, 1935 from Roy L. Shurtleff to George Leib regarding agreement with S. A. Russell on three way heading of Pacific Gas & Electric business-----	11509	11673
1614-6. Telegram dated March 14, 1935 from George Leib to Roy L. Shurtleff inquiring whether management fee to Lazard Freres & Co. was discussed-----	11509	11674
1614-7. Telegram dated March 14, 1935 from George Leib to Roy L. Shurtleff regarding misunderstanding of agreement as to three way management-----	11509	11674
1614-8. Telegram dated March 15, 1935 from Roy L. Shurtleff to George Leib stating no management fee for Lazard Freres & Co. was discussed and that he can add nothing on the three way agreement-----	11509	11674
1614-9. Letter dated March 28, 1935 from Roy L. Shurtleff to George Leib and Eugene Bashore, Blyth & Co., Inc., concerning selection and omission of San Francisco dealers in Pacific Gas & Electric Company syndicate-----	11509	11675
1614-10. Letter dated April 2, 1935 from E. B. (Eugene Bashore) to Roy L. Shurtleff relating to method of selection of dealers for Pacific Gas & Electric Company issue-----	11509	11675
1614-11. Letter dated April 3, 1935, without signature (from George Leib) to Roy L. Shurtleff supplying details of the efforts of Blythe & Co. to obtain leadership in the Pacific Gas & Electric Company issue and suggesting steps for future issues-----	11509	11677

Number and summary of exhibits	Introduced at page	Appears on page
1614-12. Telegram dated May 31, 1935 from George Leib to Roy L. Shurtleff asking reason for jump in price of security of Pacific Gas & Electric subsidiary-----	11509	11678
1614-13. Telegram dated May 31, 1935 from Roy L. Shurtleff to George Leib informing of new Pacific Gas & Electric Co. issue-----	11509	11678
1614-14. Telegram dated June 4, 1935 from Roy L. Shurtleff to George Leib describing objections to filing a registration statement for Pacific Gas & Electric Company issue with no underwriters listed-----	11509	11678
1614-15. Telegram dated June 4, 1935 from Roy L. Shurtleff to George Leib giving final price and leading positions in Pacific Gas & Electric Co. issue-----	11509	11679
1614-16. Letter dated June 7, 1935, without signature (from George Leib) to Charles R. Blyth regarding position of Blyth & Co. in Pacific Gas & Electric Co. issue-----	11509	11679
1614-17. Letter dated August 20, 1935, without signature (from George Leib) to Charles R. Blythe reviewing conversation with James Black, North American Company, discussing Blyth & Co.'s claims to leadership or joint management of Pacific Gas & Electric Co. business-----	11509	11680
1614-18. Letter dated September 5, 1935 from Roy L. Shurtleff to George Leib regarding discussion with S. A. Russell and A. F. Hockenbeamer on joint management for Blyth & Co. in Pacific Gas & Electric Co. business-----	11509	11681
1614-19. Telegram dated September 30, 1935 from Roy L. Shurtleff to George Leib regarding S. A. Russell's promise to arrive at settlement of Blyth & Co.'s management position before next Pacific Gas & Electric Co. issue-----	11509	11682
1614-20. Letter dated September 6, 1935, without signature (from George Leib) to Roy L. Shurtleff suggesting letter to S. A. Russell reciting considerations in support of Blyth & Co.'s efforts for joint management-----	11509	11682
1614-21. Memorandum dated December 19, 1935 by Bernard W. Ford for Charles R. Blyth giving attitude of Allen Chickering toward Blyth & Co.'s position in future financing of Pacific Gas & Electric Co.-----	11509	11683
1614-22. Letter dated January 16, 1936, without signature (from George Leib) to Charles R. Blyth discussing possible criticism on the Street if Blyth & Co. replaces Lazard Freres & Co. as leader of Pacific Gas & Electric Co. business-----	11509	11683
1614-23. Letter dated January 16, 1936, without signature (from Charles E. Mitchell) to Charles R. Blyth summarizing discussion with Harrison Williams relating to Pacific Gas & Electric Co. and other matters-----	11509	11684
1614-24. Letter dated January 17, 1936 from Charles E. Mitchell to Charles R. Blyth enclosing additional letter summarizing discussion with Harrison Williams-----	11509	11685
1614-25. Letter dated January 16, 1936, without signature (from Charles E. Mitchell) to Charles R. Blyth summarizing discussion with Harrison Williams relating to Pacific Gas & Electric Co.-----	11509	11685
1614-26. Letter dated January 17, 1936, without signature (from George Leib) to Charles R. Blyth regarding steps to be taken in view of Lazard Freres & Co.'s possible reaction to Blyth & Co.'s heading Pacific Gas & Electric Co. business-----	11509	11686

SCHEDULE OF EXHIBITS

XIX

Number and summary of exhibits	Introduced at page	Appears on page
1615. Letter dated August 23, 1939 from Nevil Ford, vice president, The First Boston Corporation, to Peter R. Nehemkis, Jr. regarding disposal of security affiliate of the First National Bank of Boston in compliance with the Banking Act of 1933-----	11514	11686
1616. Letter dated May 11, 1934 from Winthrop W. Aldrich, chairman of the board, to the stockholders of The Chase Corporation, regarding dissolution of the Harris Forbes organization and termination of joint transfer of stock in Chase Corporation and Chase National Bank in compliance with the Banking Act of 1933-----	11514	11687
1617. Letter from Daniel G. Wing, chairman of the board, First National Bank of Boston, to the stockholders of the bank and of The Chase Corporation regarding the organization of The First Boston Corporation subsequent to its divorcement from the bank. Accountants' report on The First Boston Corporation dated May 10, 1934. Balance sheet of The First Boston Corporation dated April 21, 1934. Statement of income and surplus of The First Boston Corporation by periods, for the period from June 27, 1932 to April 21, 1934-----	11514	11690
1618. Letter from Allan M. Pope, president, The First Boston Corporation, to George W. Bovenizer, Kuhn, Loeb & Co., expressing hope for continuing relationship-----	11514	11695
1619. Letter dated July 2, 1934 from H. M. Addinsell, chairman of executive committee, The First Boston Corporation, to Kuhn, Loeb & Co. requesting substitution of The First Boston Corporation for Harris, Forbes & Co. and Chase Harris Forbes Corporation in syndicate records of Kuhn, Loeb & Co.-----	11516	11695
1620. Statement dated December 12, 1939 prepared by George D. Woods, The First Boston Corporation, regarding organization of The First Boston Corporation-----	11516	11696
1621. Letter dated April 13, 1939 from A. E. Burns, assistant secretary, The First Boston Corporation, to Peter R. Nehemkis, Jr. sending list of officers and directors of The First Boston Corporation. Table: Officers and directors of The First Boston Corporation and their affiliations from January 1, 1929-----	11517	11699
1622. Table: The First Boston Corporation. List of holders of 500 shares and over as of record at the close of business, June 17, 1939-----	11518	11700
1623. Table: Participations of Stone & Webster and Blodget, Inc. in issues managed by The First Boston Corporation from June 14, 1934 to June 30, 1939-----	11521	11704
1624. Memorandum dated April 4, 1934 by Dorsey Richardson, Lehman Brothers, regarding possibility of closer relations with successor to First of Boston Corporation-----	11522	11704
1625. Letter dated August 3, 1934, without signature (from J. R. Macomber, chairman of the board, The First Boston Corporation) to Albert W. Harris, Harris Trust and Savings Bank of Chicago, regarding visit of Burnett Walker of Edward B. Smith & Co. to H. J. Bauer, chairman of Southern California Edison Company-----	11523	11705

Number and summary of exhibits	Introduced at page	Appears on page
1626-1. Letter dated September 25, 1939 from Edward B. Hall, Harris, Hall & Company, to W. S. Whitehead, Securities & Exchange Commission, enclosing copy of letter dated July 25, 1930 confirming the reciprocal arrangement between Harris Trust and Savings Bank, Chicago, Harris, Forbes & Company, New York, and Harris, Forbes & Company, Inc., Boston, with a brief history of the Harris organization-----	11526	11707
1626-2. Copy of letter dated July 25, 1930 from Harris, Forbes & Company and Harris, Forbes & Company, Inc. to Harris Trust and Savings Bank continuing existing reciprocal arrangements with respect to the purchase and marketing of securities-----	11526	11708
1627. Letter dated September 18, 1939 from Norman W. Harris, Harris, Hall & Company, to Peter R. Nehemkis, Jr. regarding the capitalization of Harris, Hall & Company-----	11527	11709
1628-1. Stipulation dated December 13, 1939, signed by George Leib, identifying documents from the files of Blyth & Co., Inc.-----	11528	11710
1628-2. Letter dated November 6, 1935 from H. M. Addinsell, The First Boston Corporation, to Blyth & Co., Inc. accepting a \$3,000,000 interest in Los Angeles Gas & Electric Corporation \$10,000,000 issue-----	11528	11710
1628-3. Letter dated November 6, 1935, without signature (from Blyth & Co., Inc.) to Harris, Hall & Company informing of The First Boston Corp.'s giving up \$500,000 of its participation in Los Angeles Gas & Electric Corporation \$10,000,000 issue enabling Blyth & Co. to offer a \$500,000 participation to Harris, Hall & Co.-----	11528	11710
1628-4. Letter dated November 6, 1935 (unsigned) from Blyth & Co., Inc. to Harris, Hall & Company requesting information to be supplied in connection with the proposed issue of Los Angeles Gas & Electric Corporation bonds-----	11528	11711
1628-5. Letter dated November 6, 1935, without signature (from Charles E. Mitchell, Blyth & Co., Inc.) to H. M. Addinsell, The First Boston Corporation, relating to the reduction of the participation of The First Boston Corporation to \$2,500,000 and the offer of \$500,000 to Harris, Hall & Co. in \$40,000,000 Los Angeles Gas & Electric Corporation issue-----	11528	11711
1628-6. Letter dated November 7, 1935 from H. M. Addinsell, The First Boston Corporation, to C. E. Mitchell, Blyth & Co., Inc. acknowledging his letter of November 6, 1935-----	11528	11712
1628-7. Letter dated November 8, 1935 from Norman W. Harris, Harris, Hall & Company, to Blyth & Co., Inc. accepting a \$500,000 participation in Los Angeles Gas & Electric Corporation issue-----	11528	11712
1628-8. Letter dated November 9, 1935, without signature (from C. E. Mitchell, Blyth & Co., Inc.) to Harris, Hall & Company acknowledging Norman W. Harris' letter of November 8, 1935-----	11528	11712
1629. Table: Underwriting participations by various firms in business headed by The First Boston Corporation and The First Boston Corporation's participations in business headed by other underwriting houses, as of February 28, 1939-----	11533	11713

SCHEDULE OF EXHIBITS

XXI

Number and summary of exhibits	Introduced at page	Appears on page
1630. Table: Participations of Harris, Hall & Company in issues headed by The First Boston Corporation from November 11, 1935 to August 9, 1939-----	11533	11176
1631. Table: Participation of Morgan Stanley & Co., Incorporated in issues headed by The First Boston Corporation, March 26, 1936 to August 9, 1939----- Table: Participation of The First Boston Corporation in issues headed by Morgan Stanley & Co. Incorporated, April 3, 1939-----	11533	111717
1632. Letter dated August 6, 1934 from Albert W. Harris, Harris Trust & Savings Bank, to John R. Macomber, The First Boston Corporation, giving attitude of Harris Trust & Savings Bank toward retention of the old business connections and willingness to do business on a reciprocal basis-----	11535	11721
1633. Letter dated April 13, 1935 from Howard Fenton, Harris Trust & Savings Bank, to H. M. Addinsell, The First Boston Corporation, stating that H. M. Byllesby & Company keep substantial balances with the Harris Trust & Savings Bank and requesting a participation for them in Southern California Edison Co. financing-----	11538	11722
1634. Letter dated May 16, 1935, without signature (from D. R. Linsley, The First Boston Corporation) to J. R. Macomber, The First Boston Corporation, regarding a talk with Mr. Fenton about making Harris Trust & Savings Bank paying agent in Chicago for several bond issues-----	11538	11722
1635. Letter dated April 15, 1935, without signature (from B. W. Lynch, H. M. Byllesby & Company) to D. R. Linsley, The First Boston Corporation, regarding trusteeship and paying agency for San Diego (Consolidated Gas & Electric Co.)-----	11538	11723
1636-1. Letter from E. J. F. (Edward J. Frost), Wm. Filene's Sons Company, to Paul M. Mazur, Lehman Brothers, regarding registrars and transfer agents for preferred stock of Federated (Department Stores, Inc.)-----	11538	11723
1636-2. Letter dated August 10, without signature (from Paul M. Mazur) to E. J. F. referring to choice of registrar and transfer agent as being usually left to the banker and informing of the selection of J. P. Morgan & Co. as transfer agent for preferred stock of Federated (Department Stores, Inc.)-----	11538	11724
1636-3. Letter dated June 26, 1937 from James S. Rogan, president, American National Bank, to Joseph A. Thomas, Lehman Brothers, relating to deposit accounts of Schenley Distillers Corporation and its method of paying for revenue stamps-----	11538	11724
1636-4. Letter dated March 3, 1938 from Lehman Brothers to Elmer W. Stout, chairman of the board, American National Bank, mentioning suggestion of American National Bank as Indianapolis depository of Schenley Distillers Corporation-----	11538	11725
1636-5. Letter dated February 28, 1938 from Elmer W. Stout, American National Bank, to Joseph A. Thomas, Lehman Brothers, requesting that he suggest American National Bank as Indianapolis depository of Schenley Distillers Corporation-----	11538	11725
1636-6. Letter dated June 20, 1938 from F. K. Houston, president, Chemical Bank & Trust Company, to J. A. Thomas, Lehman Brothers, requesting trusteeship or New York paying agency in proposed Indianapolis Power & Light Co. issue-----	11538	11726

Number and summary of exhibits	Introduced at page	Appears on page
1636-7. Letter from J. A. Thomas, Lehman Brothers, to Frank K. Houston, Chemical Bank & Trust Company, stating belief that commitments have been made by others than Lehman Brothers regarding trusteeship and paying agencies in Indianapolis Power & Light Co. issue-----	11538	11726
1637. Memorandum dated August 17, 1938 from L. B. to F. K. Shrader, Halsey, Stuart & Co., Inc., regarding call from Samuel Armstrong, Chase National Bank, relating to efforts to obtain New York paying agency in Public Service Company of Northern Illinois issue-----	11539	11727
1638-1. Telegram dated March 11, 1935 from John R. Macomber to Pope and Addinsell, The First Boston Corporation, regarding forthcoming issue of Southern California Edison Company and question of leadership-----	11540	11727
1638-2. Memorandum initialed by W. C. M. and J. R. M. regarding meeting of representatives of Southern California Edison Company and of The First Boston Corporation, March 14, 1935-----	11540	11728
1638-3. Telegram dated March 18, 1935 from G. D. Woods to Macomber, The First Boston Corporation concerning Blyth & Co.'s position and other developments in Southern California Edison Co. issue and historical position of The First Boston Corporation's predecessor firms in financing of Pacific Lighting Co. and subsidiaries-----	11540	11728
1638-4. Letter dated March 21, 1935 from G. D. Woods to George Ramsey, The First Boston Corporation, regarding Field, Glore & Co.'s approaching Southern California Edison Company-----	11540	11729
1638-5. Memorandum dated March 22, 1935 by H. M. Addinsell, The First Boston Corporation, noting developments on \$68,000,000 Southern California Edison Co. Refunding Mortgage 25-Year, 3¾% Bonds-----	11540	11730
1639-1. Tentative list of participants, with percentages and amounts on basis of a \$68,000,000 issue of Southern California Edison Co.-----	11545	11730
1639-2. Table: Participants, percentages and amounts in \$30,000,000 Southern California Edison Company Refunding 5s, due September 1, 1952 and offered September 15, 1927-----	11545	11731
1639-3. Telegram dated March 21, 1935 from G. D. Woods to George Ramsey, The First Boston Corporation, regarding inclusion of Pacific Company in Southern California Edison group-----	11545	11731
1639-4. Letter dated March 23, 1935 from G. D. Woods to George Ramsey, The First Boston Corporation, regarding positions of various houses in Southern California Edison Co. syndicate-----	11545	11731
1639-5. Letter dated April 8, 1935 from J. B. Lovelace, American Capital Corporation, to Sidney A. Mitchell, Bonbright & Company, Inc., expressing belief that Bonbright & Company's close connection with holding company financing was a factor in their omission from the Southern California Edison Co. issue-----	11545	11732
1639-6. Telegram dated March 23, 1935 from G. D. Woods to George Ramsey, The First Boston Corporation, suggesting that if Field, Glore & Co. is included in Southern California Edison Co. financing, The First Boston Corp. should have opportunity of original terms participation in National Distillers Products Corp. issue headed by Field, Glore & Co.-----	11545	11733

SCHEDULE OF EXHIBITS

XXIII

Number and summary of exhibits	Introduced at page	Appears on page
1639-7. Telegram dated March 25, 1935 from G. D. Woods to George Ramsey, The First Boston Corporation, informing of inclusion of Field, Gloré & Co. in Southern California Edison Co. underwriting-----	11545	11733
1639-8. Telegram dated March 25, 1935 from G. D. Woods to George Ramsey, The First Boston Corporation, giving list of participants and percentages in Southern California Edison Co. underwriting-----	11545	11734
1639-9. Telegram dated March 26, 1935 from John Macomber, The First Boston Corporation, to Harry J. Bauer, Southern California Edison Co., urging a 3% interest for White, Weld & Co. in Southern California Edison Co. underwriting-----	11545	11734
1639-10. Telegram dated March 26, 1935 from H. M. Addinsell to G. D. Woods, The First Boston Corporation, giving list of participants and percentages in Southern California Edison Co. underwriting and inquiring as to possible revisions-----	11545	11735
1639-11. Letter dated March 27, 1935 initialed "J. R. M. (?)" (John R. Macomber?), to William Edmunds, The First Boston Corporation, regarding position of Aldred & Company and other houses in Southern California Edison Co. issue-----	11545	11735
1639-12. Telegram dated April 12, 1935 from William Edmunds to J. R. Macomber regarding question of increasing participation of Bodell & Co. in Southern California Edison Co. issue-----	11545	11736
1639-13. Telegram dated April 17, 1935 from Harry J. Bauer, Southern California Edison Co., to Albert W. Harris announcing signing of underwriting agreement-----	11545	11736
1639-14. Table: \$75,000,000 Southern California Edison Company Ltd. Refunding Mortgage Gold Bonds, Series of 3½%, giving prices, spread, underwriters participations, sales to insurance companies, territorial distribution of dealers and bonds, etc-----	11545	11737
1639-15. Letter dated April 1, 1935 from G. P. Muhlfeld, Stone & Webster, Incorporated, to J. R. Macomber, The First Boston Corporation, expressing appreciation at inclusion in Southern California Edison Co. syndicate and hoping for inclusion in proposed Duquesne Light Co. issue-----	11545	11738
1639-16. Table: Acceptances and declinations of group offering to insurance companies of Southern California Edison Company 3½% bonds, due May 1, 1960-----	11545	11739
1639-17. Letter dated October 4, 1939 from J. B. Dobbins, assistant comptroller, to G. D. Woods, vice president, The First Boston Corporation, showing profit distributed to various underwriters in connection with Southern California Edison Co. 3½% bond issue-----	11545	11739
1639-18. Memorandum dated April 6, 1935 initialed F. M. S. (Frank M. Stanton) to J. R. Macomber, The First Boston Corporation, regarding distribution of bonds of Southern California Edison Co. to the selling group-----	11545	11740
1639-19. Table: Boston, New York and San Francisco houses in Southern California Edison issue-----	11545	11741
1639-20. Telegram dated April 22, 1935 from Stanton Griffis, Hemphill Noyes & Co. to H. M. Addinsell requesting larger allotment in Southern California Edison Company deal-----	11545	11741

Number and summary of exhibits	Introduced at page	Appears on page
1639-21. Letter dated April 22, 1935 from H. M. Addinsell, First Boston Corporation, to Stanton Griffis, Hemphill Noyes & Co., expressing regret at inability to provide larger allotment of Southern California Edison Co. bonds for Hemphill Noyes & Co.-----	11545	11742
1639-22. Letter dated April 25, 1935 from Shields & Co. to The First Boston Corporation giving reason for declining offer of Southern California Edison bonds.-----	11545	11742
1639-23. Specimen of dealer performance record card used by The First Boston Corporation.-----	11545	11744
1640-1. Telegram dated November 4, 1935 from G. B. Heywood, Harris, Hall & Company, to Norman Harris, Harris, Trust & Savings Bank, regarding Los Angeles Gas & Electric Corporation deal.-----	11548	11746
1640-2. Telegram dated November 5, 1935 from G. B. Heywood, Harris, Hall & Company, to L. V. Bower, Harris, Hall & Company, regarding closed situation of Los Angeles Gas & Electric Corporation financing and stating difficulty of obtaining participation.-----	11548	11746
1640-3. Telegram from Norman Harris, Harris Trust & Savings Bank, to G. B. Heywood announcing that half million interest has been obtained in Los Angeles Gas & Electric Corporation financing.-----	11548	11746
1640-4. Letter dated November 6, 1935 from C. E. Mitchell, Blyth & Co., Inc., to Harris, Hall & Co. offering half million interest ceded by The First Boston Corporation in Los Angeles Gas & Electric Corp. financing.-----	11548	11746
1640-5. Letter dated February 15, 1936 from L. V. Bower, Harris, Hall & Co., to G. D. Woods, The First Boston Corporation, inquiring whether possible Central Illinois Electric & Gas Co. business would be available.-----	11548	11747
1640-6. Letter dated February 18, 1936 from G. D. Woods to L. V. Bower regarding possible offering to Harris, Hall & Co. of some position in future Central Illinois Electric & Gas Co. financing.-----	11548	11747
1640-7. Letter dated February 21, 1936 from L. V. Bower, Harris, Hall & Co., to G. D. Woods acknowledging above.-----	11548	11748
1640-8. Letter dated August 30, 1938 from E. B. Hall, Harris, Hall & Company, to G. D. Woods regarding late data in connection with Central Illinois Electric & Gas Co. financing.-----	11548	11749
1640-9. Letter dated September 2, 1938 from G. D. Woods to E. B. Hall regarding prospect of talking over Central Illinois Electric & Gas Co. issue.-----	11548	11749
1640-10. Letter dated September 2, 1938 from L. V. Bower, Harris, Hall & Company, to G. D. Woods, The First Boston Corporation, in appreciation for Central Illinois Electric & Gas Co. participation.-----	11548	11749
1640-11. Letter dated June 10, 1939 from E. B. Hall, Harris, Hall & Company, to G. D. Woods regarding inclusion of various firms in the advertising of Central Illinois Electric & Gas Co. issue.-----	11548	11750
1640-12. Table: Rough draft of announcement of Central Illinois Electric & Gas Co. issue.-----	11548	11750
1640-13. Letter dated October 20, 1938 from E. O. Boshell, Harris, Hall & Company, to D. C. McClure, president, Central Illinois Electric & Gas Co., regarding possible private placement of Central Illinois Light & Gas bonds with Equitable and Northwestern Mutual Life insurance companies.-----	11548	11751

SCHEDULE OF EXHIBITS

XXV

Number and summary of exhibits	Introduced at page	Appears on page
1640-14. Letter dated December 6, 1938 from L. V. Bower, Harris, Hall & Co., to D. C. McClure, Central Illinois Electric & Gas Co., regarding success in privately placing Central Illinois Electric & Gas bonds with insurance companies-----	11548	11751
1640-15. Letter dated April 26, 1939 from L. V. Bower, Harris, Hall & Company, to D. C. McClure regarding Chase National Bank's new interest in Central Illinois Electric & Gas Co.-----	11548	11752
1640-16. Memorandum dated February 3, 1937 by E. B. Hall, Harris, Hall & Company, regarding talk with George Murnane of Monet, Murnane & Company, relative to possible refunding operations for American Steel Foundries-----	11548	11752
1640-17. Telegram from Harris, Hall & Company, to E. B. Hall, Harris, Hall & Company, relative to repaying obligation to other underwriters in American Steel Foundries financing-----	11548	11753
1640-18. Telegram dated November 8, 1935 from L. V. Bower, Harris, Hall & Company, to J. H. Collins, Harris, Hall & Company, regarding silent underwriting position in Continental Steel Corporation deal-----	11548	11753
1640-19. Letter, informal, dated November 18, 1935 from L. V. Bower, Harris, Hall & Company, to Niles Chapman, Continental Steel Corporation, suggesting a \$2,000,000 Continental Steel Corporation issue-----	11548	11753
1640-20. Letter dated November 20, 1935 from L. V. Bower, Harris, Hall & Company, to Niles Chapman, Continental Steel Corporation, formally outlining a proposed \$2,000,000 Continental Steel issue-----	11548	11754
1640-21. Letter dated January 7, 1936 from E. B. Hall, Harris, Hall & Company, to H. E. Wood, Harold E. Wood & Company, regarding the sharing of Continental Steel Corporation issue with F. S. Moseley & Company and impossibility of including other underwriters-----	11548	11755
1640-22. Table: Central Illinois Electric & Gas Co. \$14,750,000 First Mortgage Bonds, 3½%, Series of 1964. Underwriters, principal amount and total purchase price-----	11548	11756
1640-23. Table: \$3,000,000 Central Illinois Electric & Gas Co. 3%-3½%-4% Serial Debentures. Underwriters, principal amount underwritten and total purchase price-----	11548	11756
1640-24. Memorandum dated May 23, 1936 by E. B. Hall, Harris, Hall & Company, listing tentative underwriting syndicate for proposed \$32,000,000 financing of Wisconsin Power & Light Company-----	11548	11757
1640-25. Letter dated January 18, 1936 from L. V. Bower, Harris, Hall & Company, to I. B. Smith, president, Iowa Electric Light & Power Company, discussing proposed refunding of Iowa Electric Light & Power Company's outstanding 5s of 1946-----	11548	11757
1640-26. Letter dated February 4, 1936 from L. V. Bower, Harris, Hall & Company, to I. B. Smith, Iowa Electric Light & Power Co., amending agreement between Iowa Electric Light & Power Co. and Harris Trust & Savings Bank-----	11548	11758
1640-27. Letter dated February 22, 1936 from L. V. Bower to I. B. Smith, Iowa Electric Light & Power Co., re above-----	11548	11759

Number and summary of exhibits	Introduced at page	Appears on page
1640-28. Letter dated March 4, 1936 from George B. Heywood, Harris, Hall & Company, to D. R. Linsley, The First Boston Corporation, offering the latter equal participation in Iowa Electric Co. and on Iowa Electric Light & Power Co. financing-----	11548	11759
1640-29. Letter dated March 8, 1936 to H. M. Addinsell (incomplete) regarding interests in underwriting group for \$3,600,000 Iowa Electric Light & Power Co. First Mortgage 4s-----	11548	11760
1640-30. Letter dated September 30, 1936 from L. V. Bower, Harris, Hall & Company, to Fred Poor, Poor & Company, regarding discussion with Mr. Boatner with reference to railway business-----	11548	11761
1640-31. Memorandum dated October 21, 1936 by E. B. Hall, Harris, Hall & Company, to L. V. Bower, relative to signing of stand-by agreement with Poor & Company-----	11548	11761
1640-32. Letter dated January 20, 1936 from L. V. Bower, Harris, Hall & Company, to Frank Fratcher, Iowa Electric Company, regarding need for haste in preparing papers for March 15, 1936 issue for Iowa Electric Company-----	11548	11761
1640-33. Letter dated February 4, 1936 from L. V. Bower to Frank Fratcher, Iowa Electric Company, discussing an arrangement to purchase Iowa Electric Company Convertible 6s-----	11548	11762
1640-34. Letter dated February 24, 1936 from L. V. Bower to Scott McIntyre, Scott, McIntyre & Company, regarding difficulties in Iowa Electric Company re-funding-----	11548	11762
1640-35. Letter dated February 24, 1936 from L. V. Bower to Frank Fratcher, Iowa Electric Company, requesting company's authority to buy in Iowa Electric Company's bonds proposed to be refunded-----	11548	11763
1640-36. Letter dated February 25, 1936 from L. V. Bower to Frank Fratcher, Iowa Electric Company, regarding how to keep small firms out of the account and the advisability of the running of Iowa Electric Company financing over the names of large houses-----	11548	11763
1640-37. Letter dated February 29, 1936 from F. A. Fratcher, Iowa Electric Company, to L. V. Bower, Harris, Hall & Company, extending authority requested in "Exhibit No. 1640-35"-----	11548	11764
1640-38. Letter dated March 5, 1936 from H. M. Addinsell, The First Boston Corporation, to E. B. Hall, Harris, Hall & Company, declining to participate in Iowa Electric Company business-----	11548	11764
1640-39. Letter dated December 4, 1935 from E. B. Hall, Harris, Hall & Company, to John E. Barber, The Middle West Corporation, regarding hopes of Harris, Hall & Company doing business in Public Service Company of Oklahoma refunding-----	11548	11765
1640-40. Letter dated December 5, 1935 from John E. Barber, The Middle West Corporation, to E. B. Hall, Harris, Hall & Company stating impracticability of discussing financing of Public Service Company of Oklahoma-----	11548	11765
1640-41. Letter dated December 27, 1935 from L. V. Bower, Harris, Hall & Company, to Walter J. Cummings, Continental Illinois National Bank & Trust Co. requesting the bank to aid Harris, Hall & Co. obtain a position in the forthcoming Public Service Company of Oklahoma financing-----	11548	11766

Number and summary of exhibits	Introduced at page	Appears on page
1640-42. Letter dated January 22, 1936 from E. B. Hall, Harris, Hall & Company, to Charles F. Glore, Field, Glore & Co., regarding opposition to $\frac{1}{2}\%$ management fee for Field, Glore & Co. in Public Service Company of Oklahoma financing-----	11548	11766
1640-43. Letter dated January 23, 1936 from C. F. Glore, Field, Glore & Co., to E. B. Hall, Harris, Hall & Company, relative to agreeing that management fee should be dropped in Public Service Company of Oklahoma financing-----	11548	11767
1640-44. Memorandum dated February 6, 1936 by E. B. Hall to Mr. G. B. Heywood, Harris, Hall & Company, listing the underwriting syndicate for the \$16,000,000 Public Service Company of Oklahoma financing-----	11548	11767
1640-45. Letter dated June 23, 1939 from Harris, Hall & Company to Central Illinois Electric & Gas Co. announcing the public offering of First Mortgage $3\frac{3}{4}\%$ Bonds of 1964 and the $3\% - 3\frac{1}{2}\% - 4\%$ Serial Debentures of Central Illinois Electric & Gas Co.-----	11548	11768
1641. Schedule: Originations, participations and profits of Blyth & Co., Inc., dated October 20, 1939-----	11550	(1)
1642. Letter dated July 31, 1935 from Charles E. Mitchell Inc., to Charles Blyth, Blyth & Co., Inc., relative to possible return of J. P. Morgan & Co. to investment banking business-----	11551	11768
1643. Letter dated August 2, 1935 from Charles Blyth to Charles E. Mitchell, Blyth & Co. Inc., further relative to the return of J. P. Morgan & Co. to the investment banking business and the need for getting "close to them"-----	11559	11769
1644. Letter dated September 26, 1935 from Charles E. Mitchell to Charles Blyth, Blyth & Co., Inc., relative to the conference with Harold Stanley regarding exclusion of Blyth & Co. Inc. from Bell Telephone of Illinois financing-----	11559	11770
1645. Letter dated September 30, 1935 from Charles Blyth to Charles E. Mitchell, Blyth & Co., Inc., regarding C. E. Mitchell's talk with Harold Stanley and other underwriting problems of Blyth & Co., Inc.-----	11559	11771
1646. Table: Blyth & Co., Inc. participations in issues of Consolidated Edison Co. of New York, Inc. and its subsidiaries, June 14, 1934-June 30, 1939-----	11562	11773
1647. Letter from Charles E. Mitchell to Charles Blyth, Blyth & Co., Inc., regarding Harold Stanley's, Morgan Stanley & Co. Incorporated, request for figures showing financial situation of Blyth & Co., Inc.-----	11563	11773
1648. Memorandum dated March 29, 1936 by Charles E. Mitchell to C. R. Blyth, Bernard Ford, Roy L. Shurtleff and George Leib, Blyth & Co., Inc., listing underwriting syndicate for \$60,000,000 debenture issue of Consolidated Edison Company of New York-----	11568	11774
1649. Letter dated August 2, 1935 from Charles Blyth to George Leib, Blyth & Co. Inc., regarding advisability of opening an account with J. P. Morgan & Co.-----	11579	11775
1650. Letter dated January 4, 1936 from Charles Blyth to Charles E. Mitchell, Blyth & Co., Inc. approving opening an account with J. P. Morgan & Co.-----	11579	11776

¹ Marked for identification only.

Number and summary of exhibits	Introduced at page	Appears on page
1651-1. Letter dated September 22, 1939 from Henry C. Alexander, J. P. Morgan & Co., to Peter R. Nehemkis, Jr. enclosing table of deposit accounts maintained with J. P. Morgan & Co. and Drexel & Co. by members of the Investment Bankers Association of America-----	11582	11777
1651-2. Table: Deposit accounts of members of Investment Bankers Association of America with J. P. Morgan & Co.-Drexel & Co. as of 7/1/39-----	11582	11777
1651-3. Table: Loans by J. P. Morgan & Co.-Drexel & Co. to those members of the Investment Bankers Association of America having deposit account with them as of July 1, 1939-----	11582	11778
1652-1. Letter dated April 11, 1936 from Eugene M. Stevens to C. E. Mitchell, Blyth & Co., Inc. regarding position of J. P. Morgan & Co. in proposed Crane Company financing-----	11582	11778
1652-2. Letter from C. E. Mitchell, Blyth & Co., Inc. to Harold Stanley, Morgan Stanley & Co. Incorporated requested special consideration for Blyth & Co. Inc. in Crane Company financing-----	11582	11779
1652-3. Letter dated April 17, 1936 from Harold Stanley, Morgan Stanley & Co. Incorporated to C. E. Mitchell, Blyth & Co., Inc., declining to make any commitment in Crane Company financing-----	11582	11779
1652-4. Letter dated May 26, 1936 from C. E. Mitchell, to Charles R. Blyth, Blyth & Co., Inc., regarding Blyth & Co., Inc. being excluded by Morgan Stanley & Co. Incorporated from Crane Company business and Niagara Falls Power issue-----	11582	11780
1652-5. Letter dated May 27, 1936 from Eugene M. Stevens, to C. E. Mitchell, Blyth & Co. Inc., relative to disappointment at being excluded from Crane Company business-----	11582	11780
1652-6. Letter dated May 29, 1936 from C. E. Mitchell to to E. M. Stevens regarding Harold Stanley's comments on Blyth & Co., Inc. not getting Crane Company's business-----	11582	11781
1653-1. Table: Profits of Blyth & Co., Inc. from Morgan Stanley & Co. Incorporated underwritings since 1935-----	11586	11781
1653-2. Letter dated October 7, 1937 from C. R. Blyth, to Charles E. Mitchell, Blyth & Co. Inc., concerning general operating conditions of Blyth & Co. Inc.-----	11586	11781
1654. Letter dated October 21, 1937 from Charles Mitchell, Inc., to Charles R. Blyth, Blyth & Co. Inc., regarding suggestion from Harold Stanley, Morgan Stanley & Co. Inc. and Elisha Walker, Kuhn, Loeb & Co., concerning possible changes in investment houses, consolidations, buy-outs, etc. and possibility of Blyth's acting in these situations-----	11587	11782
1655. Letter from Charles E. Mitchell to Charles R. Blyth regarding Morgan Stanley & Co.'s request for a statement of amount of underwriting done in the past three years by Blyth & Co. Inc.-----	11592	11783
1656-1. Letter dated August 16, 1939 from C. E. Mitchell to P. R. Nehemkis, Jr. enclosing as requested a copy of underwriting figures furnished by Blyth & Co. Inc. to Morgan Stanley & Co. Incorporated in response to Exhibit 1655-----	11592	11783

Number and summary of exhibits	Introduced at page	Appears on page
1656-2. Letter dated August 8, 1938 from Roy L. Shurtleff, Blyth & Co., Inc., to Morgan Stanley & Co., Incorporated giving record of Blyth & Co., Inc. underwritings from September 1, 1935 to August 15, 1938-----	11592	11784
1 57. Letter dated August 10, 1938 from C. E. Mitchell to Charles R. Blyth giving reason for Harold Stanley's questionnaire. (Possible charge of monopoly)-----	11594	11594
1658-1. Table: Reciprocal business of Blyth & Co. Inc. with Morgan Stanley & Co. Incorporated from November, 1935 to November, 1938-----	11595	11784
1658-2. Table: Reciprocal business of Blyth & Co. Inc. with Kuhn, Loeb & Co. from April, 1935 to June, 1939-----	11595	11787
1658-3. Table: Reciprocal business of Blyth & Co. Inc. with The First Boston Corporation from May, 1935 to July, 1939-----	11595	11790
1658-4. Table: Reciprocal business of Blyth & Co. Inc. with Dillon, Read & Co. from May, 1935 to July, 1939-----	11595	11792
SUPPLEMENTAL DATA		
<i>Exhibits relating to the financing of Chicago Union Station Company</i>		
1670. Letter dated December 13, 1939 from E. N. Jesup, Lee Higginson Corporation, to Peter R. Nehemkis, Jr. naming Harold Stanley of Morgan Stanley & Co. and A. M. Anderson of J. P. Morgan & Co. as the individuals with whom N. P. Hallowell discussed Chicago Union Station Co. underwriting-----		11795
1756. Memorandum dated March 28, 1935 by W. W. K. Sparrow, vice president, Chicago Union Station Company, describing discussions with members of Interstate Commerce Commission on competitive bidding for \$16,000,000 First Mortgage Bonds, 4%, Series D-----		11795
1759-1. Letter dated December 14, 1939 from Peter R. Nehemkis, Jr. to George W. Bovenizer, Kuhn, Loeb & Co., regarding correct figures on participations in Chicago Union Station Company \$6,150,000 First Mortgage Bonds, 5%, Series B-----		11797
1759-2. Letter dated December 18, 1939. from George W. Bovenizer, Kuhn, Loeb & Co. to Peter R. Nehemkis, Jr. confirming figures presented at the hearing on participations in Chicago Union Station Company \$6,150,000 First Mortgage Bonds, 5%, Series B-----		11798
Unnumbered. Letter dated March 15, 1940 from Peter R. Nehemkis, Jr. to Chicago Union Station Company requesting list of firms to whom invitations to bid were extended on \$16,000,000 First Mortgage Bonds, 3½%, Series F and replies received in response to invitation-----		11798

Number and summary of exhibits	Intro- duced at page	Appears on page
SUPPLEMENTAL DATA—continued		
<i>Exhibits relating to the financing of Chicago Union Station Company—Continued</i>		
Unnumbered. Letter dated April 8, 1940 from M. W. Clement, president, Chicago Union Station Company, to Peter R. Nehemkis, Jr. giving details on rejection of bid of Halsey, Stuart & Co. for \$16,000,000, 3½% bonds and acceptance of offer of Kuhn, Loeb & Co., and enclosing copies of letters received in reply to invitation for bids.		11798
Enclosed with the above:		
List of bankers, banks, and insurance companies invited to bid on Chicago Union Station Company \$16,000,000 First Mortgage Bonds, 3½%, Series F.		11800
Letter dated March 5, 1940 from M. W. Clement, president, Chicago Union Station Company, to Halsey, Stuart & Co., Inc. inviting bid on \$16,000,000 First Mortgage Bonds, 3½%, Series F.		11802
Chicago Union Station Company, General balance sheet as of December 31, 1939.		11805
Chicago Union Station Company, Income account for the years ended December 31, 1937, 1938 and 1939.		11806
Copy of letter dated March 8, 1940 from Alfred Shriver, vice president, Morgan Stanley & Co. Incorporated, to M. W. Clement, president, Chicago Union Station Company, acknowledging receipt of letter of March 5, 1940 relating to \$16,000,000 First Mortgage Bonds, 3½%, Series F.		11806
Copy of letter dated March 9, 1940 from E. C. Wampler, president, Stern, Wampler & Co., Inc., to M. W. Clement acknowledging invitation to bid on Chicago Union Station Company \$16,000,000 First Mortgage Bonds, 3½%, Series F.		11807
Copy of letter dated March 6, 1940 from Philip H. Ackert, Freeman & Company, to M. W. Clement acknowledging invitation to bid on Chicago Union Station Company \$16,000,000 First Mortgage Bonds, 3½%, Series F.		11807
Copy of letter dated March 7, 1940 from Goldman, Sachs & Co. to M. W. Clement declining to bid and stating policy of not engaging in competitive bidding except on state and municipal obligations.		11807
Copy of letter dated March 6, 1940 from Evans, Stillman & Co. to M. W. Clement declining to bid and stating policy of not engaging in competitive bidding except on state and municipal obligations.		11808
Letter dated March 12, 1940 from Halsey, Stuart & Co., Inc. to Chicago Union Station Company bidding on \$16,000,000 First Mortgage Bonds, 3½%, Series F.		11808

Number and summary of exhibits	Intro- duced at page	Appears on page
SUPPLEMENTAL DATA—continued		
<i>Exhibits relating to the financing of Chicago Union Station Company—Continued</i>		
Unnumbered. Letter dated March 15, 1940 from Peter R. Nehemkis, Jr. to Harry L. Stuart, Halsey, Stuart & Co., Inc., requesting memorandum regarding Chicago Union Station Company \$16,000,000 First Mortgage Bonds, 3½%, Series F		11808
Unnumbered. Letter dated March 21, 1940 from Harry L. Stuart to Peter R. Nehemkis, Jr. giving history of Chicago Union Station Company transaction from his point of view		11809
Enclosed with the above: Memorandum dated February 15, 1940 by Harry L. Stuart regarding discussions with Henry Scandrett and J. W. Severs, Chicago, Milwaukee, St. Paul & Pacific Railroad, on proposed financing of Chicago Union Station Company		11810
Copy of letter dated March 14, 1940 from H. W. Johnson, vice president, Chicago Union Station Company, to Halsey, Stuart & Co., Inc., rejecting bid on Chicago Union Station Company \$16,000,000 First Mortgage Bonds, 3½%, Series F		11811
Letter dated March 21, 1940 from Harry L. Stuart to J. W. Severs, Chicago, Milwaukee, St. Paul & Pacific Railroad, relating to rejection of bid of Halsey Stuart & Co. on Chicago Union Station Company \$16,000,000 First Mortgage Bonds, 3½%, Series F		11811
Unnumbered. Transcript of hearing before the Interstate Commerce Commission, March 23, 1940, regarding Chicago Union Station Company \$16,000,000 First Mortgage Bonds, 3½%, Series F		11812
Unnumbered. Report and order of the Interstate Commerce Commission relative to Chicago Union Station Company \$16,000,000 First Mortgage Bonds, 3½%, Series F		11818
Unnumbered. Letter dated May 10, 1940 from George W. Bovenizer, Kuhn, Loeb & Co., to Peter R. Nehemkis, Jr. giving participants and percentages in Chicago Union Station Company \$16,000,000 First Mortgage Bonds, 3½%, Series F		11822
Enclosed with the above:		
Table: List of subunderwriters in Chicago Union Station Company issue		11822
Memorandum dated March 15, 1940 by George W. Bovenizer giving history of Chicago Union Station Company issue		11824
Memorandum dated January, 1940 calculating savings possible through calling Chicago Union Station \$16,000,000 First Mortgage Bonds, 3½%, Series D		11825

Number and summary of exhibits	Intro- duced at page	Appears on page
SUPPLEMENTAL DATA—continued		
<i>Exhibits relating to the financing of Chicago Union Station Company—Continued</i>		
Unnumbered. Letter dated May 14, 1940 from E. N. Jesup, vice president, Lee Higginson Corporation, to Peter R. Nehemkis, Jr. giving participants, percentages and amounts in Chicago Union Station Company \$16,000,000 First Mortgage Bonds, 3½%, Series F-----		11825
<i>Exhibit relating to the testimony of George Leib</i>		
1757. Telegram dated December 19, 1939 from George Leib, Blyth & Co., Inc., to Peter R. Nehemkis, Jr. relating to indirect stock interest of Harrison Williams in Blyth & Co. and its subsequent acquisition by Blyth & Co.-----		11826
<i>Exhibits relating to the testimony of George D. Woods</i>		
1696. Letter dated December 16, 1939 from Arthur H. Dean, Sullivan & Cromwell, counsel to The First Boston Corporation, to Peter R. Nehemkis, Jr. regarding the holdings of stock of Messrs. Macomber, Addinsell and Linsley in Harris, Hall & Company, Incorporated-----		11826
Unnumbered. Letter dated February 24, 1940 from George D. Woods, The First Boston Corporation, to Peter R. Nehemkis, Jr. indicating whether holdings of investment banking firms in stock of The First Boston Corporation were for their own or customers' accounts-----		11827
<i>Exhibit relating to the testimony of Charles E. Mitchell</i>		
1668. Memorandum supplementing table on deposit accounts of investment banking firms with J. P. Morgan & Co.—Drexel & Co.-----		11827

INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

TUESDAY, DECEMBER 12, 1939

UNITED STATES SENATE,
TEMPORARY NATIONAL ECONOMIC COMMITTEE,
Washington, D. C.

The committee met at 10:50 a. m., pursuant to adjournment on Friday, December 8, 1939, in the Caucus Room, Senate Office Building, Senator Joseph C. O'Mahoney presiding.

Present: Senator O'Mahoney, chairman; Representative Reece; Messrs. Henderson, Ferguson, Davis, O'Connell, Avildsen, Hinrichs, and Brackett.

Present also: Undersecretary Edward J. Noble, Clifton M. Miller, and Robert McConnell, Department of Commerce; Theodore J. Kreps, economic adviser to the committee; Peter R. Nehemkis, Jr., special counsel; Samuel M. Koenigsberg, associate attorney; and David Ryshan, financial analyst, Securities and Exchange Commission.

The CHAIRMAN. The committee will please come to order. This hearing on investment banking is under the direction of the Securities and Exchange Commission.

The Commission was designated by the full committee to make the presentation in accordance with the terms of the act under which this committee operates. Mr. Henderson, of the Securities and Exchange Commission, will open the hearing with the statement of its purposes.

STATEMENT OF LEON HENDERSON, COMMISSIONER, SECURITIES AND EXCHANGE COMMISSION, WASHINGTON, D. C.

PURPOSES OF INVESTMENT BANKING HEARING

Mr. HENDERSON. The hearings on investment banking which we are to begin this morning and continue through the following week are being conducted by the S. E. C. at the direction of this committee, the Temporary National Economic Committee.

The data and testimony to be offered will cover three major lines of inquiry: (1) The manner in which the investment banking processes have been adjusted to conform with the provisions of the Banking Act of 1933; (2) the extent to which concentration exists in the industry; and (3) the manner in which business is negotiated between underwriters and issuers and among underwriters.

The S. E. C. wishes it distinctly understood that the scope of these hearings is limited to three questions. It is impossible to cover every phase of the investment-banking business in the time which has been allotted to us by the committee.

Technical problems arising from the administration of the several acts which the Securities and Exchange Commission administers will not be covered in the present hearings. Such technical matters receive the daily attention of the Commission and its staff, and are now in the process of study and analysis by various departments of the Commission.

Likewise, the special problems affecting dealers in securities throughout the Nation will not be discussed at these hearings. We recognize fully the importance of the small dealer in the investment-banking process. To treat adequately all the special problems affecting the distribution of securities would require time and study far beyond that which has been available to us.

May I emphasize that the presentation of the material, the subject matter of which I have previously outlined, has as its purpose a discussion of the industry rather than the individuals or firms through whom the study is to be presented.

Peter R. Nehemkis, Jr., special counsel of the Commission's Investment Banking Section, will serve as counsel to the committee during these hearings and will conduct the examination of the witnesses.

June 16, 1934, is a date to which frequent reference will be made throughout these hearings. For on that date the Banking Act, which had been enacted by Congress during the previous year, became effective. In accordance with its terms, many of our great commercial and private banks were confronted with the necessity of making readjustments in their business activity. Therefore, such great commercial banks as the National City Bank of New York and the Guaranty Trust Co. divorced themselves from their security affiliates. In the course of these hearings we shall have occasion to inquire into the manner and results of this divorce.

Private banks were likewise confronted with the necessity of readjusting their businesses in accordance with the provisions of the Banking Act. Thus, for example, J. P. Morgan & Co. elected to abandon its securities business and remain a bank of deposit. Kuhn, Loeb & Co., on the other hand, elected to discontinue its commercial banking activities and remain in the underwriting business. Here, too, we shall have occasion during the course of these hearings to examine into the methods by which these private banks, among others, segregated their activities.

This morning Mr. Nehemkis will present testimony dealing with the impact of the Banking Act of 1933 upon the private banking firm of Brown Brothers Harriman & Co.

The CHAIRMAN. Mr. Nehemkis.

Mr. NEHEMKIS. Mr. W. Averell Harriman, please.

The CHAIRMAN. Do you solemnly swear that the testimony you are about to give in this proceeding shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HARRIMAN. I do.

TESTIMONY OF W. AVERELL HARRIMAN, BROWN BROTHERS HARRIMAN & CO., NEW YORK, N. Y.

Mr. NEHEMKIS. Mr. Harriman, will you state your full name and address for the record?

Mr. HARRIMAN. William Averell Harriman.

Mr. NEHEMKIS. What is your business or profession, Mr. Harriman?

Mr. HARRIMAN. I am a private banker; also an active railroad director.

Mr. NEHEMKIS. You are a director, are you not, of the American Ship & Commerce Corporation?

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. And of the Guaranty Trust Co. of New York?

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. And of W. A. Harriman Securities Corporation?

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. And of the Illinois Central Railroad?

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. You are the chairman of the executive committee of that railroad, are you not?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. And of the Los Angeles & Salt Lake Railroad?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. And of the Mississippi Valley Corporation?

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. And of the Oregon Short Line Railroad?

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. And the Oregon-Washington Railroad & Navigation Co.?

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. And the Yazoo & Mississippi Valley Railroad?

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. And the Union Pacific Railroad?

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. And you are the chairman of the board of the Union Pacific?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. And you are also a director of the Western Union Telegraph Co.?

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. Do you hold any directorates other than those that I have mentioned?

Mr. HARRIMAN. Offhand I don't recall.

Mr. NEHEMKIS. Mr. Chairman, I offer in evidence a table indicating the directorships which have just been mentioned by the witness.

The CHAIRMAN. Do you want this included in the record? You have already cited each of them.

Mr. NEHEMKIS. Not necessarily, Mr. Chairman.

ORGANIZATION OF BROWN BROTHERS HARRIMAN & CO.

Mr. Harriman, as I understand it the private banking firm of Brown Brothers Harriman & Co. is a partnership?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. And all of the partners are general partners?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. Will you indicate the names of your partners?

Mr. HARRIMAN. I don't know that I have the list.

Mr. NEHEMKIS. Suppose in the interest of time I give you the names and you tell me if I am correct?

Mr. HARRIMAN. All right, sir.

Mr. NEHEMKIS. Thatcher M. Brown.

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. Moreau D. Brown.

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. E. Roland Harriman.

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. W. Averell Harriman.

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. Prescott T. Busch.

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. Lewis Curtis.

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. Robert A. Lovett.

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. Ray Morris.

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. Knight Woolley.

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. Are there any other partners?

Mr. HARRIMAN. No.

Mr. NEHEMKIS. Will you tell us, Mr. Harriman, what the partnership Brown Brothers Harriman & Co. was?

Mr. HARRIMAN. Brown Brothers Harriman & Co. was a successor firm of Brown Brothers who started in business some hundred years ago, I have forgotten the exact date. That firm through many years did what was known in the old days as merchant banking business, starting in as merchants and subsequently as financing transactions of the character of trade, and they got into exchange businesses, and through the years have developed a business which they are now conducting, except for the investment banking business which they were prevented from doing since the Banking Act of 1933.

Mr. NEHEMKIS. In short, Brown Brothers, one of the predecessor firms, was engaged in the business of private banking as well as the underwriting of securities?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. And W. A. Harriman Co., Inc., was engaged in the securities business as well as that of private banking?

Mr. HARRIMAN. Some of the present partners of Brown Brothers Harriman & Co. were engaged in the activities of a company known as the W. A. Harriman Co., Inc., and Harriman Brothers & Co., a private banking firm or partnership. These two Harriman firms did substantially parallel business to what Brown Brothers Harriman was doing under one firm. In 1931 those three firms were merged, or those three activities were merged into one firm, then known as Brown Brothers Harriman & Co., and since that time have continued in business.

Mr. NEHEMKIS. So for our present purposes we need but consider three predecessor organizations, Brown Brothers, W. A. Harriman & Co., Inc., and Harriman Brothers & Co.

Will you tell me, Mr. Harriman, where the firm of Brown Brothers Harriman & Co. is located?

Mr. HARRIMAN. 59 Wall Street, New York City, with banking activities in Boston, Philadelphia, and with an office in Chicago.

Mr. NEHEMKIS. Do you have any European affiliations?

Mr. HARRIMAN. Not directly at the present time.

Mr. NEHEMKIS. Have you had any recently?

Mr. HARRIMAN. Historically, the firm of Brown Brothers & Co. had relationship with Alexander Brown & Co. in Baltimore. In the Civil War those activities were separated as the result of the war. In 1914, up to 1914, there was a relationship between Brown Brothers & Co. and Brown Shipley & Co. in London, and as the result of the international situation at that time, the interests of the two firms were entirely segregated.

Mr. NEHEMKIS. Will you describe rather briefly, if you will, Mr. Harriman, the nature of the business which was transacted by the firm, Brown Brothers Harriman & Co., prior to the Banking Act of 1933?

Mr. HARRIMAN. They accepted deposits, lent money, did an acceptance business—I don't know how many details you want, or how understandable these terms will be.

They conducted a foreign-exchange business, were members of the New York Stock Exchange, and executed orders for customers on commission basis. They were also engaged in the underwriting and distribution, retail selling, of securities.

Mr. NEHEMKIS. Now, the Banking Act of 1933 required that the firm of Brown Brothers Harriman & Co. give up either its commercial banking business or its underwriting business?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. And the firm of Brown Brothers Harriman & Co. reached a decision. Which business did your firm elect to abandon?

Mr. HARRIMAN. The underwriting business.

Mr. NEHEMKIS. Now, the object of the Banking Act was to effect the divorce of underwriting firms from commercial banking, was it not?

Mr. HARRIMAN. There were certain objectives that Congress had at that time, the effect of which was to cause us to give up our underwriting business. I am not willing to answer yes to that question in the way you put it, because I don't know what you have in mind in the subsequent questions. I will be glad to develop any aspect of the situation that you want me to.

Mr. NEHEMKIS. You will have a full opportunity, Mr. Harriman, to develop that as we go along.

The firm Brown Brothers Harriman & Co. presently conducts a general commercial banking business under the supervision of the banking law of the State of New York, is that correct?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. At the time of the enactment of the Banking Act, you were seriously concerned, were you not, about the fate of those employees and partners of your firm who were engaged in the securities branch of your firm's business, and which it was compelled to abandon?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. So for personal reasons, if for no other, you were anxious to see these individuals placed in some new organization?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. On May 29, 1934, there was caused to be organized under the laws of New York an underwriting firm under the name of Brown Harriman & Co., is that correct?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. Mr. Chairman, I offer in evidence the certificate of incorporation and the amendments thereto, together with the letter of transmittal, from Harriman Ripley & Co., Incorporated, by Willet C. Roper, secretary, to myself.

The CHAIRMAN. Do you want to identify this through the person who sent the letter, or through Mr. Harriman?

Mr. NEHEMKIS. The letter of transmittal I would say was sufficient identification.

The CHAIRMAN. This is the company of which you were just asking Mr. Harriman?

Mr. NEHEMKIS. Yes.

The CHAIRMAN. Suppose we ask Mr. Harriman if this is the certificate.

Mr. NEHEMKIS. Mr. Harriman, I show you the certificate of incorporation and the several amendments thereto. Can you tell me whether you recognize these documents?

Mr. HARRIMAN. I have no doubt that they are correct.

The CHAIRMAN. Do you want these incorporated in the record or filed?

Mr. NEHEMKIS. Filed, if you will.

The CHAIRMAN. They may be accepted for filing.

(The documents referred to were marked "Exhibit No. 1526" and are on file with the committee.)

Mr. NEHEMKIS. Mr. Harriman, where is the firm of Brown Harriman & Co., Incorporated?

Mr. HARRIMAN. 63 Wall Street.

Mr. NEHEMKIS. And the firm of Brown Brothers you said was located at 59 Wall Street?

Mr. HARRIMAN. 59.

Mr. NEHEMKIS. That is the same building, is it not?

Mr. HARRIMAN. The same building, except separate entrances.

Mr. NEHEMKIS. The same building, separate entrances. Do you happen to know who formerly occupied the space now occupied by Harriman Ripley & Co.?

Mr. HARRIMAN. Part of the space they occupy was occupied, I believe, by Brown Brothers Harriman & Co. I think they took additional space in the building. I am not clear on that, but I think they did.

Mr. NEHEMKIS. The underwriting firm by chance does not occupy space formerly occupied by the National City Co., does it?

Mr. HARRIMAN. I don't know. That is a question that you had better ask Mr. Ripley, whom I understand you are going to call.

Mr. NEHEMKIS. I am asking it of you. You do not know?

Mr. HARRIMAN. No.

SOURCE OF PERSONNEL OF BROWN HARRIMAN & CO., INC.

Mr. NEHEMKIS. I notice that the original incorporators of the underwriting firm of Harriman Ripley & Co. were Charles N. Cald-

well, Jr., David H. Jackman, and Samuel C. Wood. Can you tell me who these individuals are?

Mr. HARRIMAN. No.

Mr. NEHEMKIS. Who would know?

Mr. HARRIMAN. I think Mr. Ripley would know. I don't know whether you want any assumptions, but I assume they were clerks in the lawyers' office that incorporated the company. I don't know whether you want assumptions. You can ask Mr. Ripley.

Mr. NEHEMKIS. Mr. Harriman, how did it happen that the name Brown Harriman & Co. was selected as the name for the new investment banking firm?

Mr. HARRIMAN. Certain partners that had been engaged in the securities business of Brown Brothers Harriman & Co. became officers and directors of the new business, joining with certain men who had been associated with the City Company—National City Co. There were considerable discussions, as I recall, of what name could be selected. They were embarking on a new enterprise. Our partners that went to this new organization were anxious to indicate a continuity to retain as much as was possible of the goodwill that they had enjoyed as being partners of the firm, and that name was selected after a good deal of thought and consideration and it was a difficult decision to make, and I think that is about as much as I can say about it.

Mr. NEHEMKIS. Would you tell me, Mr. Harriman, from what principal sources the personnel of Brown Harriman came?

Mr. HARRIMAN. I think I have got that information you had asked me to bring down. There were a total of four hundred and thirty-and-odd officers and employees of this new company when it started business; 5 of the officers came from Brown Brothers Harriman & Co., 7 of the officers had been previously associated with the National City Co. In addition to those 12, there were 223 employees and staff of Brown Brothers Harriman & Co. that went to this organization and 203 that had been previously employed by the City Company.

Mr. NEHEMKIS. Mr. Chairman—

Mr. HARRIMAN. As I recall it, those were substantially all of the employees that were engaged in that part of the activities of the firm. There were perhaps about half of the employees that were working for the City Co.

Mr. NEHEMKIS. Mr. Chairman, may I offer in evidence a table entitled "Officers and directors of Brown Harriman & Co., Inc., June 21, 1935"?

The CHAIRMAN. From what source was it compiled?

Mr. NEHEMKIS. The source of this information is predicated upon a registration statement for brokers or dealers transacting business on over-the-counter markets on file with the Securities and Exchange Commission.

The CHAIRMAN. This statement, therefore, is taken from the records of the Securities and Exchange Commission?

Mr. NEHEMKIS. The official record; correct.

The CHAIRMAN. Do you desire to have this printed in the record?

Mr. NEHEMKIS. If you will order it so.

The CHAIRMAN. Without objection, it is so ordered.

(The table referred to was marked "Exhibit No. 1527" and is included in the appendix on p. 11605.)

Mr. NEHEMKIS. I should like to point out, if I may, Mr. Chairman, the names of some of the principal officers that came from these various organizations to form the officers of the new underwriting house of Brown Harriman. Joseph Pierce Ripley, who was the president and director, who is still president and director, came from the National City Co., and Mr. Ripley was formerly a vice president of the National City Co.

Ralph Thompson Crane came from Brown Brothers & Co.

Mr. HARRIMAN. May I correct that, Mr. Nehemkis?

Mr. NEHEMKIS. Yes.

Mr. HARRIMAN. Mr. Ripley was the executive vice president of the National City Co.

Mr. NEHEMKIS. I accept that correction, Mr. Harriman. Mr. Pierpont van Derveer Davis, a vice president and director of Brown Harriman & Co., likewise came from the National City Co., where he was a vice president and director. Mr. Hendrik Jolles, a vice president and director of Brown Harriman & Co., likewise came from the City Company.

Horace Sylvester, Jr., a vice president and director of Brown Harriman, also came from the City Co. of New York. Lawrence Tighe, a vice president and director of Brown Harriman, was formerly associated with Brown Brothers & Co.; and Charles Stedman Garland, a vice president and director of Brown Harriman & Co., also came from Brown Brothers & Co., where he had been a partner. Sidney Lester Castle was formerly with the National City Co. Henry Mann was formerly with the National City Co. Harry Frederick Mayer likewise was associated with the National City Co.. Willet Roper came from Brown Brothers. Reginald Martine came from Brown Brothers, and William Eppel came from the National City Co.

The CHAIRMAN. This list is also derived from the records of the Securities and Exchange Commission?

Mr. NEHEMKIS. I am reading from the exhibit previously offered.¹

The CHAIRMAN. I see.

Mr. NEHEMKIS. I should like to offer in evidence a document obtained from the files of the City Company of New York, now in dissolution. Those names are somewhat confusing. The City Company of New York was the name which subsequently appeared, but for our purposes it is the same as the National City Co.

The CHAIRMAN. Let me suggest, Mr. Nehemkis, that in correct order, those documents ought to be identified before they are presented.

Now, if Mr. Harriman, who is under oath, is not identifying this document, it ought to be presented by some person who is under oath and who can identify it.

Mr. NEHEMKIS. This document, if you please, Mr. Chairman, is taken from the files of the City Company. It is an exhibit of this committee; it is vouched for by this committee's counsel.

The CHAIRMAN. Let the committee's counsel be sworn and offer it in the regular way, then. We want to do this in regular order.

Mr. NEHEMKIS. I quite agree, sir, that you are suggesting an orderly procedure, but if I were to follow your suggestion we would have half the investment banking population of New York City in this room today to identify their files.

¹ "Exhibit No. 1527," appendix, p. 11605.

The CHAIRMAN. Somebody ought to identify these files before they are received.

Mr. NEHEMKIS. I will be very happy to subpoena any individual from the City Company you wish to identify this document, but I venture to say——

The CHAIRMAN (interposing). Mr. Harriman is on the stand. If Mr. Harriman can identify this——

Mr. NEHEMKIS. He can't.

The CHAIRMAN. For what purpose are you admitting it?

Mr. NEHEMKIS. I wish to indicate from the files of the National City Co. certain information concerning the personnel whose names have previously been given as to their former function with that company.

The CHAIRMAN. Perhaps Mr. Harriman can testify with respect to that, if it is material evidence.

Mr. NEHEMKIS. In all probability it would be better, if you wish to follow the procedure you are suggesting, to defer this discussion until another witness comes who I think can do it.

The CHAIRMAN. Very well.

Mr. NEHEMKIS. Mr. Harriman, at the time of the organization of Brown Harriman & Co., the principal officers were the former officers of the City Company, the security affiliate of the National City Bank of New York, is that correct?

Mr. HARRIMAN. Will you state the question again?

Mr. NEHEMKIS. Will you read the question?

(The reporter read Mr. Nehemkis' last question.)

Mr. HARRIMAN. The principal officers of what?

Mr. NEHEMKIS. Of Brown Harriman & Co.

Mr. HARRIMAN. The main officers of Brown Harriman & Co. were drawn partly from the partners of Brown Brothers Harriman & Co. and partly from the City Company organization.

Mr. NEHEMKIS. How did it happen that so large a number of the senior personnel came from the security affiliate of the National City Bank of New York?

Mr. HARRIMAN. As I recall it, they were pretty nearly balanced, 50-50 on important positions.

It is true that we selected at the time the discussion of the organization took place, in which I participated, Mr. Ripley as president of the company. Mr. Ripley had been associated with us when we were at 39 Broadway, operating under the name of W. A. Harriman & Co. He had an important position with us for several years. I had got to know him intimately, had great respect for him, and it was as the result of that relationship that he was selected—the intimate contact that we had with him at that time—that he was selected as the president from the group of active men who came from both of these two sides.

Mr. NEHEMKIS. Had you any discussion at that time with Mr. Perkins, the president of the National City Bank?

Mr. HARRIMAN. I don't recall any discussions with Mr. Perkins. There may well have been some discussions with Mr. Perkins, but they don't register in my recollection.

Mr. NEHEMKIS. Mr. Chairman, I should like to offer a letter to the shareholders of the National City Bank of New York by James H. Perkins, chairman of the board of directors. This is a public document

which was widely distributed to all stockholders at the time. Do you feel that Mr. Perkins should identify it?

The CHAIRMAN. The same comment I made on the previous exhibit can be made on this. I don't wish to impede your examination, but it seems to me if Mr. Harriman is on the stand you ought to question him with respect to whatever testimony you wish to elicit from him.

Mr. NEHEMKIS. I have no propriety in asking Mr. Harriman to identify a document written by Mr. Perkins which is a matter of public information. I want this on the record, because upon this letter from which I propose to read, certain further facts are to be elicited from the witness.

The CHAIRMAN. The letter isn't identified by you; it is presented by you. It is true you are the counsel here and you are presenting this testimony, but counsel are not witnesses.

Mr. NEHEMKIS. I know, but these—

The CHAIRMAN (interposing). If you wish to become a witness, I will swear you and you can identify it, and then the responsibility will be yours.

Mr. NEHEMKIS. But you are placing me in the position of repudiating your own exhibits.

The CHAIRMAN. Not at all. These are not our exhibits. These are exhibits you are bringing up. Please don't argue with me.

Mr. NEHEMKIS. I am not, sir. You feel this document should be identified?

The CHAIRMAN. I certainly do. I don't want any question raised about anything that is presented.

Mr. NEHEMKIS. I shall have to ask Mr. Perkins to come down to identify this document, then.

Mr. Harriman, in acquiring—

Mr. HENDERSON (interposing). Just a moment.

Mr. NEHEMKIS. May I request this witness be dismissed for a moment so I may call another?

Mr. Charles Huff, please.

The CHAIRMAN. Do you solemnly swear that the testimony you are about to give in this proceeding will be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. HUFF. I do.

The CHAIRMAN. You may be seated.

TESTIMONY OF CHARLES H. HUFF, ASSOCIATE UTILITIES FINANCIAL ANALYST, INVESTMENT BANKING SECTION, SECURITIES AND EXCHANGE COMMISSION, WASHINGTON, D. C.

Mr. NEHEMKIS. What is your full name?

Mr. HUFF. Charles H. Huff.

Mr. NEHEMKIS. Are you a member of the staff of the Investment Banking Section in the S. E. C.?

Mr. HUFF. I am.

Mr. NEHEMKIS. For how long have you been a member of that staff?

Mr. HUFF. Since last March.

Mr. NEHEMKIS. In connection with your various field investigations, have you had occasion to examine the files of the City Company of

New York, Incorporated, in dissolution, formerly the National City Co.?

Mr. HUFF. I have.

Mr. NEHEMKIS. And, in that connection, have you had occasion to discuss documents obtained from those files with the liquidating officers?

Mr. HUFF. I didn't—I had some work on that. I don't recall exactly the extent of it.

Mr. NEHEMKIS. I show you a document which is a copy of a letter from James H. Perkins, to the shareholders of the National City Bank of New York and ask you whether this is a copy of the letter you obtained from the files of that company?

Mr. HUFF. Yes; this letter was given to me in response to my request for the letter that had been sent out.

The CHAIRMAN. Given to you by whom?

Mr. HUFF. I have seen a great many people. I would have to refer to my notes to know exactly. It was an official.

Mr. NEHEMKIS. Was it Mr. Law?

Mr. HUFF. Mr. Law.

Mr. NEHEMKIS. And Mr. Law is one of the liquidating officers of the National City Co.?

Mr. HUFF. Yes, he is. He is the most active officer, as he explained to me. He has all of the records.

Mr. NEHEMKIS. I show you a document obtained from the files of the City Co. of New York, Incorporated, in dissolution, formerly the National City Co., entitled "Senior Officers of the City Company of New York, Incorporated (in dissolution)." I ask you whether this document was obtained from the files of the City Co.?

Mr. HUFF. Yes; this was given to me in the same way, by Mr. Law.

Mr. NEHEMKIS. That is all, Mr. Huff.

(The witness, Mr. Huff, was excused.)

Mr. NEHEMKIS. Mr. Chairman, if you please, may I offer these two documents, identified by the previous witness as having been obtained from the files of the City Co., in evidence?

The CHAIRMAN. Without objection, the documents may be admitted.

(The documents referred to were marked "Exhibits Nos. 1528 and 1529" and are included in the appendix on p. 11606 and 11607.)

TESTIMONY OF W. AVERELL HARRIMAN, BROWN BROTHERS HARRIMAN & CO., NEW YORK, N. Y.—Resumed

Mr. NEHEMKIS. Mr. Harriman, may I read to you two paragraphs from Mr. Perkins' letter [reading from "Exhibit No. 1528"]:

The Banking Act of 1933 passed last June required divorcement of commercial banking from investment banking within the period of a year. I have felt that The National City Bank of New York should support the policy of Congress in both letter and spirit. In the year past we have been endeavoring to find a way fully to meet this policy and at the same time to preserve any good-will value there might be in the business of The City Company of New York, Inc., formerly The National City Company.

Good-will is a nebulous thing. In so far as it is attached to the name of the City Company it cannot be realized on, because the continued use of the name would identify the user with the Bank and that cannot be permitted without control by the Bank, which is forbidden by law. In so far as it may be repre-

sented by personnel trained in the investment banking business, such personnel consists of free individuals whom the City Company is not in a position to deliver to a prospective purchaser.

So that, in taking over the principal former executives of the City Company, Brown Harriman & Co. acquired in effect whatever goodwill was transferable?

Mr. HARRIMAN. I think that is too broad a statement.

Mr. NEHEMKIS. How would you like to refine it?

Mr. HARRIMAN. Well, the investment banking business is a very personal business. Individuals have clients just as a law firm would in conducting their business. Certain individual partners have their contacts. Goodwill and continuity, as far as the relationships with the issues of securities, comes largely through those personal contacts, and if they have been developed over many years they are very apt, as in the legal profession, to stay with the individuals.

The CHAIRMAN. Were there a large number of the employees of the previous institution who did not come over?

Mr. HARRIMAN. Yes. In this case, as I have explained in what I have said before, the Brown Harriman Co. started with about half of the staff of the men that were on the City Company. Now, when you go broader, away from the persons dealing with the issues of securities, you get into the question of the general public and the investing public, and there to carry on the goodwill, I think you need the name, the continuity of the name.

Mr. NEHEMKIS. And that, I suppose, would be true of whatever goodwill was acquired from Brown Brothers Harriman & Co., *via* any personnel that came to the new banking firm?

Mr. HARRIMAN. Yes.

STOCK OWNERSHIP BY HARRIMAN FAMILY IN BROWN HARRIMAN & CO., INC.

Mr. NEHEMKIS. At the time of the organization of Brown Harriman & Co., Mr. Harriman, there was issued, was there not, 200,000 shares of \$20 par value common stock?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. The initial capital of the firm was, therefore, \$4,000,000?

Mr. HARRIMAN. Plus \$1,000,000 of paid-in surplus; a total of \$5,000,000.

Mr. NEHEMKIS. Of these 200,000 shares, 196,000 shares were taken by the members of the Harriman family and their personal holding companies?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. The remaining 4,000 shares were taken by three officers of Brown Harriman & Co., Incorporated, and the wife of the fourth?

Mr. HARRIMAN. As I recall it; yes.

Mr. NEHEMKIS. Do you say that is a correct statement, or not?

Mr. HARRIMAN. Yes; it is.

Mr. NEHEMKIS. Over 4,000 shares taken in the manner I described?

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. In other words, the officers of Brown, Harriman & Co. contributed but \$80,000 toward the initial \$5,000,000 capital of the new firm?

Mr. HARRIMAN. Twenty-five times four. It is \$100,000.¹

Mr. NEHEMKIS. Correct. My associate corrects me. So that the officers of Brown Harriman & Co. were obviously not contributing capital, but were contributing their technical skill and business connections with the accounts of the City Company or Brown Brothers Harriman & Co.?

Mr. HARRIMAN. They were contributing technical skill and reputation—the value of goodwill was what was going to be transferred—what was going to come with the individuals was a matter the future would determine.

Mr. NEHEMKIS. But some element of the ability of the personnel to continue with their relationships with corporations was of significance, was it not?

Mr. HARRIMAN. The previous contacts that these individuals had had, and the business they had done, and the reputation that they had for competence and integrity was an important aspect. This type of business requires, as does the private-banking business, two things. It requires ample capital and requires men to manage the concern, and the conduct of this business is not possible without both these elements.

Mr. NEHEMKIS. I see. On April 1, 1935, did not Brown-Harriman & Co. increase its capitalization through the issuance of 50,000 shares of \$20 par value preferred stock?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. In other words, an additional \$1,000,000 of capital was provided?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. All of this preferred stock was taken, was it not, by members of the Harriman family and their personal holding companies?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. Since June 15, 1934, the stock holdings of the officers of Brown Harriman & Co. has increased by 8,200 shares, is that correct, sir?

Mr. HARRIMAN. 8,200 shares, yes. That is correct.

Mr. NEHEMKIS. In other words, they held as of June 30, 1939, 12,200 of the 208,200 shares outstanding on that date?

Mr. HARRIMAN. 208 out of the——

Mr. NEHEMKIS. Yes.

Mr. HARRIMAN. 208.

Mr. NEHEMKIS. 208——

Mr. HARRIMAN. 200 shares, and they held how many?

Mr. NEHEMKIS. They held 12,200 shares?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. At no time during this period did the Harriman family and its personal holding companies directly or indirectly hold less than 95 percent of the common stock, and 100 percent of the preferred stock of Brown Harriman & Co., Incorporated, is that correct, Mr. Harriman?

Mr. HARRIMAN. I think your mathematics is a little bit off, but it is substantially correct.

¹ Includes \$5 per share of paid-in surplus.

Mr. NEHEMKIS. Do you accept my statement as being substantially correct?

Mr. HARRIMAN. I would say that we held all of it.

Mr. NEHEMKIS. All of the preferred stock?

Mr. HARRIMAN. All of the preferred stock, and in excess of 90 percent of the common stock.

Mr. NEHEMKIS. In excess of 90 percent. Therefore the members of the Harriman family, until October 24, 1938, had absolute control over the underwriting house of Brown Harriman & Co.; is that correct?

Mr. HARRIMAN. No.

Mr. NEHEMKIS. You have just testified, have you not, Mr. Harriman, that the Harriman family and its personal holding companies held all of the preferred stock of Brown Harriman & Co.?

Mr. HARRIMAN. Preferred stock votes, too, as well as the——

Mr. NEHEMKIS. And you have also testified that the Harriman family and its personal holding companies hold substantially 90 percent of the common stock of Brown Harriman & Co. I am going to ask the reporter to repeat the question which I asked you, when you said "No."

Mr. HARRIMAN. Well, now, I will go on.

Mr. NEHEMKIS. Do you understand my question?

Mr. HARRIMAN. Yes. It comes down to a question of what "control" means, and if I understand the dictionary, "control" means the exercise of control. We did not exercise any control as stockholders—the majority of the stockholders. We had the rights of all stockholders to vote at the annual meetings or to call special meetings of stockholders, and the majority of the stockholders, which were my brother and I, certainly had the right up to '38 to vote stock, and we could have elected a new board of directors or could have done any of the things that stockholders can do. As a practical matter we had nothing to do with the operations of the business, and we, as I recall it, sent in our proxies in the way stockholders usually do, and the directors were reelected from year to year.

The CHAIRMAN. In other words, this was an illustration of the divorcement of ownership and control, so commonly to be noted in corporate structures today?

Mr. HARRIMAN. Well, I will be glad to answer that "Yes," sir.

The CHAIRMAN. And when the stockholders, which in this case were the members of the Harriman family, elected a board of directors, that board of directors under the bylaws had full discretion in the management of the affairs of the company?

Mr. HARRIMAN. That is correct, sir.

The CHAIRMAN. That is the way you wish the matter to be understood?

Mr. HARRIMAN. Yes, sir. I would also like to point out that my brother and I are two individuals of definite characters, and although for your purposes I have answered the question for my brother and myself and the Harriman family, there are individuals involved in that, and I don't think it is accurate to leave the impression that this was one dominating personality.

Mr. NEHEMKIS. May I put this question to you: As I understand your explanation of the problem of control, what you are saying, in effect, if I understand you correctly, is that while you had the power all during this time to exercise control, nevertheless, you and your

brother did not see fit to exercise the power which you had. Isn't that what you are saying?

Mr. HARRIMAN. Mr. Nehemkis, there are certain windows there [pointing], and I have the power, I believe, to force my way through those windows and jump out onto the street. If we had attempted to do what you indicate it would have been financial suicide for the company that was doing business. It would have been impossible to have active men in a business that requires personal and intimate relationships to function with any group of stockholders who would be as arbitrary as you have indicated, so from my standpoint I don't think as a practical matter we could have done the things that you have indicated except in an emergency. I would go to that window and try to jump out of it if the house were on fire, but I wouldn't do it otherwise.

Mr. O'CONNELL. Going back to your previous answer a little way back, you referred to the fact that ordinarily, while you and your family owned the voting control that you had not exercised, which you refer to as control, you would ordinarily send in proxies and that sort of thing. How was the first board of directors of Brown Harriman & Co. elected?

Mr. HARRIMAN. There was full discussion before the incorporation between my brother and myself and the partners of Brown Brothers Harriman & Co. that went into this business, and Mr. Ripley and some of his associates who were going to become associated with this business.

Mr. O'CONNELL. But, technically, I take it that the first board of directors, the first slate of officers of the Brown Harriman & Co., were elected pursuant to a vote of the stockholders?

Mr. HARRIMAN. That is correct, and they resulted from a general discussion of all of the men involved in the management, as well as my brother, Roland, and myself as stockholders.

Mr. O'CONNELL. But the stockholders who were entitled to vote elected the slate?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. Mr. Harriman, at the time of incorporation of Brown Harriman & Co., E. Roland Harriman and yourself owned substantially all of the paid-in capital of the firm of Brown Brothers Harriman & Co. Is that correct?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. And this situation, I take it, has not changed materially since 1934?

Mr. HARRIMAN. It has not.

POWERS UNDER PARTNERSHIP AGREEMENT

Mr. NEHEMKIS. Under the articles of partnership as they existed in 1934 at the time of the incorporation of Brown Harriman & Co., E. Roland Harriman and yourself could by acting together determine the distribution of profits among the partners. Is that correct, sir?

Mr. HARRIMAN. Let me get my memorandum out, may I?

Mr. NEHEMKIS. Surely.

Mr. HARRIMAN. You are quoting from a letter that I wrote you?

Mr. NEHEMKIS. I am paraphrasing from a letter which you wrote to me on December 6, 1939.¹

Mr. HARRIMAN. Would you mind letting me follow that again?

Mr. NEHEMKIS. I will repeat the question for you. I think I said that, under the articles of partnership as they existed in 1934 at the time of the incorporation of Brown Harriman & Co., E. Roland Harriman and W. Averell Harriman could, by acting together, determine the distribution of profits among the partners of the private banking firm of Brown Brothers Harriman & Co.?

Mr. HARRIMAN. I believe that is correct; yes, sir.

Mr. NEHEMKIS. Under the articles of partnership now in effect and operative since 1936, the distribution of profits is determined by the vote of two-thirds of the partners, each partner being entitled to one vote?

Mr. HARRIMAN. That is the way the partnership articles read.

Mr. NEHEMKIS. At the time of the incorporation of Brown—

Mr. HARRIMAN (interposing). I would like to, if I may, say that as a matter of fact those matters resulted from a discussion of all of the partners and no case do I recall in which they weren't settled as a practical fact by agreement of all concerned.

Mr. NEHEMKIS. At the time of the incorporation of Brown Harriman & Co., E. Roland Harriman and yourself, I understand, had a veto power over Brown Brothers Harriman & Co.'s financial commitments. That is to say, to give a simple illustration, if one of the partners should desire to make a loan of \$30,000,000, let us say, to Germany, E. Roland Harriman and W. A. Harriman could veto that exercise of financial commitment?

Mr. HARRIMAN. Either one of us could.

Mr. NEHEMKIS. Under the articles of partnership in effect dating from January 1, 1936, no financial commitment can be taken over the objection of any partner having any of the ordinary capital of the firm. Is that correct?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. So that E. Roland Harriman or yourself, by your individual objection, can veto any financial commitment proposed by the other partners?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. Now under the articles of partnership in effect in 19—

Mr. HARRIMAN (interposing). Frankly, I don't like the word "veto." "Veto" gives a significance which I think is beyond the fact. It is perfectly natural in this type of business that the capital partners should have the right to be consulted before any commitments are made. Their capital is at risk, and if they object to a commitment being taken any one of them could object; it would be unfair for the firm to take the commitment without their approval.

The CHAIRMAN. In other words, you operate more or less by unanimous consent?

Mr. HARRIMAN. As far as these matters that he has been discussing with me are concerned.

The CHAIRMAN. That is what I mean.

¹ See "Exhibit No. 1536," appendix, p. 11613.

Mr. HARRIMAN. We do. As a matter of practical fact we wouldn't take any commitment against the objection of any one of the partners.

Mr. NEHEMKIS. Now under the articles of partnership which were in effect in 1934 at the time of the incorporation of Brown Harriman & Co., is it not correct that E. Roland Harriman and yourself had the power to block the entry of any new partners into the firm?

Mr. HARRIMAN. That is 1934? Let me check this. In 1934 my brother and I, if we acted together, but neither of us acting alone, could amend or modify all of the articles, and the introduction of a new partner was deemed to be an amendment of the articles.

Mr. NEHEMKIS. You accept my question and may I now accept your answer as being correct?

Mr. HARRIMAN. Yes.

Mr. NEHEMKIS. Is it correct that E. Roland Harriman and yourself still have this power under the present articles of incorporation?

Mr. HARRIMAN. I don't believe so. As I understand it, the articles can be amended now by two-thirds vote, can't they?

Mr. NEHEMKIS. According to the provision, which I do not want to read—

Mr. HARRIMAN [reading from "Exhibit No. 1536"]:

Two thirds of the partners of the firm may amend, * * *

At the present time—you have read the number of partners—my brother and I are two out of a total of nine, is it?

Mr. NEHEMKIS. Yes. Since you have started, will you read the next paragraph of that page 2?

Mr. HARRIMAN. "Two-thirds of the partners—"

Mr. NEHEMKIS (interposing). No; the effect of the corresponding provision on page 2.

Mr. HARRIMAN. You have already said that in 1934 my brother and I, acting together but neither of us alone, had the right to introduce new partners and amend the articles, but I am going back. You asked me about the present situation. In the present situation an introduction of a new partner can only, according to the articles, be accomplished by the action of two-thirds of the partners.

Mr. NEHEMKIS. That is what I understand.

Mr. HARRIMAN. So that at the present time technically a partner could in theory be introduced without my brother's and my approval. In fact, we would not introduce into the firm a partner who is not acceptable to each partner.

The CHAIRMAN. The firm is now a corporation?

Mr. HARRIMAN. No; the firm is still a partnership. We are talking now about the firm.

The CHAIRMAN. It possesses all the inherent qualities of a partnership.

Mr. HARRIMAN. Yes, sir; all the partners are personally liable for all of the obligations of the firm and when you talk about paid-in capital it is true that my brother and I have substantially all of the paid-in capital, but each and every member of the firm is financially obligated after the capital is used up.

The CHAIRMAN. And since it is a partnership it is quite natural that nobody who is not acceptable to the existing partners would be permitted to enter?

Mr. HARRIMAN. That is correct.

Representative REECE. May I ask why you operate as a partnership? If it is not pertinent, I will withdraw the question.

Mr. HARRIMAN. I will be glad to try to answer that question. I am not sure that I can. There are certain definite advantages of incorporation and there are certain advantages of a partnership, with disadvantages in both cases. This firm has historically operated for the 100-year period as a partnership. There is a certain personal touch about a partnership. You come into an office, the partners are sitting around, there isn't the authority designated of a president and certain vice presidents. The people who do business with us like to talk to a partner; they feel they are talking to a principal and not a salaried employee. It makes it possible to discuss things perhaps a little bit more personally with our customers. In addition to which we are members of the New York Stock Exchange and that is only possible if you have a partnership.

The disadvantages are that all of us are personally liable for the commitments and there are certain restrictions of activity. We haven't got some privileges of incorporated banks. So I don't know whether I could fully answer your question.

Mr. NEHEMKIS. Mr. Harriman, let me endeavor to sum up what I understand to be the facts that we have been developing up to this point.

At the time of the organization of Brown Harriman & Co., virtually the total capital interest in Brown Brothers Harriman & Co. was held by yourself and your brother, E. Roland Harriman?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. That is still true?

Mr. HARRIMAN. Yes, sir.

Mr. NEHEMKIS. The two brothers, E. Roland and W. Averell, could by acting together determine the distribution of profits, and that is still true?

Mr. HARRIMAN. They could at that time, but it is no longer true technically according to the articles. In reality we couldn't in either case. In '34 we could technically, and at the present time the articles are so drawn that we can't in fact. On your own questions you brought that out.

Mr. NEHEMKIS. No firm commitments of a financial nature could be made over the objections of yourself and your brother, E. Roland?

Mr. HARRIMAN. Yes; and as a practical matter of any partner of the firm.

Mr. NEHEMKIS. And no new partners could be brought into the firm over the objections of yourself or of your brother, E. Roland Harriman?

Mr. HARRIMAN. That is true, or, as a practical matter, of the other partners of the firm.

Mr. NEHEMKIS. But in particular, in both of those last questions, over your objection or that of your brother?

Mr. HARRIMAN. In the year 1934.

Mr. NEHEMKIS. I am addressing myself to the year 1934, the time of the organization of Brown Harriman & Co.

(Affirmative nod by the witness.)

Mr. NEHEMKIS. The two Harrimans, E. Roland and W. Averell, acting together could force the retirement of any partner; they had that power?

Mr. HARRIMAN. They had that power, but again I say we could not have exercised that power.

Mr. NEHEMKIS. That was not my question.

Mr. HARRIMAN. Well, that is all right, Mr. Nehemkis, but I think I am entitled to answer a question in such a way that it conveys the correct impression of the state of affairs.

Mr. NEHEMKIS. I want you to.

Mr. HARRIMAN. I am sure that the committee will want me to have that privilege.

Mr. NEHEMKIS. I desire that myself, but I want to get an answer to a question and then if you wish to expand that I want you to feel free, of course, to do that. Let me repeat the question: The two Harrimans acting together could at the time we are discussing the matter, 1934, force the retirement of any partner. Is that correct? You had the power to do so?

Mr. HARRIMAN. Under the articles as they were then drawn we had that technical power. We could not, in matter of fact, have exercised that power without the approval of all of the other partners.

The CHAIRMAN. Of course, that is true of any partnership.

Mr. HARRIMAN. That is true of any partnership.

Mr. NEHEMKIS. So during this whole period the controlling ownership of the private banking firm of Brown Brothers Harriman & Co. and the investment banking firm of Brown Harriman & Co. were in the same hands?

Mr. HARRIMAN. Will you ask that question again?

(The reporter read the question.)

Mr. HARRIMAN. I would like the privilege of not answering that question yes or no. Technically it is a fact that my brother and I, two individuals, and certain members of our family have substantially all the capital of Brown Brothers Harriman & Co., and have over 90 percent of the financial interest in this firm, this corporation that is now known as Harriman Ripley & Co. I can't help but reiterate the fact that these two businesses are businesses that require capital and management and that neither of these two activities can be a success without a combination of those two things. They are equally important. You can't say which is more important than the other because they are both of the essence, and therefore in connection with Brown Brothers Harriman & Co., which is a partnership, there are partners who contribute capital, there are other partners who contribute capital and contribute to management, there are other partners who contribute to management. It is a combination of those things that makes for the activities and success of a firm, and to recite our capital interest in the firm with a categorical answer of "Yes," I don't want to leave in the minds of any member of the committee that I consider that that indicates, as it might in a shoe business or some other business of an impersonal character, a dominating control, because it just does not jibe.

THE BANKING ACT OF 1933

Mr. NEHEMKIS. Mr. Chairman, I should like to offer in evidence at this time certain relevant sections of the Banking Act of 1933 which bear upon the testimony.

The CHAIRMAN. Do you want these printed in the record?

Mr. NEHEMKIS. If you will, sir.

The CHAIRMAN. Without objection it is so ordered.

(The sections of the Banking Act of 1933 referred to were marked "Exhibit No. 1530" and are included in the appendix on p. 11607.)

Mr. NEHEMKIS. May I read you a provision from section 21 of the Banking Act. Will you give Mr. Harriman a copy? [Reading from "Exhibit No. 1530"]:

It shall be unlawful for any person, firm, corporation, association, business trust, or other similar organization, engaged in the business of issuing, underwriting, selling, or distributing, at wholesale or retail, or through syndicate participation, stocks, bonds, debentures, notes, or other securities, to engage at the same time—

The CHAIRMAN. Where are you reading, Mr. Nehemkis?

Mr. NEHEMKIS. I am reading from section 21 (a)—

to engage at the same time to any extent whatever in the business of receiving deposits * * *."

Now do you consider that the purpose of the law, Mr. Harriman, was merely to effect technical changes in the investment banking business, or was the purpose and intent to completely segregate these two branches of banking?

Mr. HARRIMAN. It is difficult for me to tell you gentlemen what the intent of Congress was at the time the Banking Act of 1933 was passed. It is my recollection that there was one fundamental reason for it, and that was to protect the deposits and the capital of banking institutions from being invested in and engaging in the underwriting business, which we all know is a highly hazardous business, and whatever relationships there may have been which Congress in their wisdom thought were abuses between the banks and their affiliates. When you are through I would like to read something from the debate.

Mr. NEHEMKIS. If E. Roland Harriman or yourself personally engaged in the underwriting business, that I take it would be a violation of the law so long as you were the controlling partners in Brown Brothers, Harriman?

Mr. HARRIMAN. I am not going to answer that question without advice of a lawyer and a study of it. I can say, Senator, that what we have done we naturally scrutinized with the best legal advice that we could have, and I don't believe that there is any question as to the lawfulness of the activities of my brother and myself and of the two firms, the firm and the corporation. There have been hundreds of examinations and I am not competent, Senator, to discuss the technical legal aspects of the situation.

The CHAIRMAN. I was about to suggest to counsel that probably it would be helpful if in addressing questions to the witnesses you would endeavor to elicit the facts and then let the committee draw any conclusions that it may wish. To propound a question of this character to the witness I think is obviously a little bit premature, to say the least. Let's develop the facts. There is no objection, I think, on the part of anybody to stating exactly what the facts may be, but obviously if counsel or if the chairman would argue with the witness, the witness would be entitled to argue back about the inferences to be drawn.

The Chairman with pleasure takes note of the fact that Under Secretary Edward J. Noble, of the Department of Commerce, is pres-

ent this morning. We will be glad to have him participate in the hearing at his pleasure.

Mr. NEHEMKIS. Mr. Harriman, on October 24, 1938, was there not created a voting trust?

Mr. HARRIMAN. Senator, may I read—there was an implication in what Mr. Nehemkis asked me, and may I read very briefly from the debate in Congress on this question of the Banking Act?

The CHAIRMAN. You may proceed.

Mr. HARRIMAN. This is Mr. Glass. Senator Robinson interrupted Senator Glass when he was expounding the purposes of the bill, and he is talking about private bankers so that "they" refers to private bankers. This is Senator Robinson, of Arkansas, speaking. He inquired from the floor: "That means that if they"—which I understand is private bankers—"wish to receive deposits they must have separate institutions for that purpose?"

Senator Glass' answer is "Yes."

That is the only part of the debate that I know that had any reference to private bankers.¹

VOTING TRUST FOR STOCK OF HARRIMAN RIPLEY & CO., INCORPORATED

Mr. NEHEMKIS. Mr. Harriman, on October 24, 1938, was not a voting trust set up under which there was deposited the common and preferred stock of Brown Harriman & Co. held by members of the Harriman family and their personal holding companies?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. Was not the duration of this voting trust to be 10 years?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. And under the voting trust agreement were there not three voting trustees?

Mr. HARRIMAN. There were.

Mr. NEHEMKIS. Will you state the names of the three trustees and tell us briefly something about the background of each?

Mr. HARRIMAN. The first one is Joseph P. Ripley, who, as you brought out, is president of Harriman Ripley & Co., which I don't think it has been brought out is the present style under which Brown Harriman & Co. now does business.

The CHAIRMAN. In other words, Brown Harriman & Co. is the identical institution now known as Harriman Ripley.

Mr. HARRIMAN. Harriman Ripley, yes. Very frankly, Senator, the names were so close that it created confusion and we realized a very few months after they started with that name that it hadn't worked out as we had expected.

We thought the banking firm would be known as it always had been as Brown Brothers and this institution known in the Street as Brown Harriman, but it didn't work out that way.

The CHAIRMAN. Brown Brothers was the other institution?

Mr. HARRIMAN. That is the other firm, and nobody was able to keep it straight, and after a lot of discussion and trying to find an opportune time, on January 1, a year ago, 1939, the name was changed to Harriman Ripley & Co.

The CHAIRMAN. Brown Brothers Harriman is what sort of firm?

¹ For complete text of the discussion on this point, see appendix, p. 11828.

Mr. HARRIMAN. Brown Brothers Harriman is a banking company doing all the functions of a banking institution.

The CHAIRMAN. That is an ordinary bank except that it is a private bank? It accepts deposits?

Mr. HARRIMAN. It accepts money and does foreign exchange.

The CHAIRMAN. And the other is an underwriting company?

Mr. HARRIMAN. Harriman Ripley & Co. is an underwriting company.

INTEREST OF HARRIMAN FAMILY IN BROWN BROTHERS HARRIMAN & CO.
AND IN HARRIMAN RIPLEY & CO., INCORPORATED

The CHAIRMAN. And both institutions are owned substantially by the same persons?

Mr. HARRIMAN. I will have to say that that is not the case at the present time. It was largely the case—as far as paid-in capital was concerned—it was largely the case in 1934. At the present time my brother and my children have very substantial interests in the firm under irrevocable trusts that we have set up.

The CHAIRMAN. What is the distinction in ownership now between the two?

Mr. HARRIMAN. That is in the banking business?

The CHAIRMAN. That is Brown Brothers Harriman.

Mr. HARRIMAN. Brown Brothers Harriman & Co., my brother and I have substantially all, not the last penny but substantially all the paid-in capital; that is the working capital of the firm. We have nine partners. All of us are responsible for the obligations of that firm, so that all the personal assets of every one of my partners, as well as my brother and myself, are back of the firm, but actually, of the paid-in capital that the firm is working on, my brother and I have contributed substantially all of it.

The CHAIRMAN. That is a partnership set-up?

Mr. HARRIMAN. That is a partnership.

The CHAIRMAN. Now the other?

Mr. HARRIMAN. In the corporation, cutting through certain holding companies, Senator, this is the distribution. I will give Mr. Nehemkis a copy of this, if I may.

The CHAIRMAN. You have just handed the chairman a typewritten sheet entitled "Percent of Total Voting Stock, Preferred and Common, Including Voting Trust Certificates."

Mr. HARRIMAN. This should be Harriman Ripley & Co. That relates to that company.

The CHAIRMAN. This shows the stock ownership of Harriman Ripley & Co., a corporation?

Mr. HARRIMAN. Yes, sir.

The CHAIRMAN (reading):

	Percent
W. A. Harriman-----	30.59
E. R. Harriman-----	30.59
4 children-----	34.08
Ripley & staff-----	4.74
Total-----	100.00

(The list referred to was marked "Exhibit No. 1531" and is included in the appendix on p. 11404.)

Mr. HARRIMAN. I would like to state that it is true that my brother and I are trustees for the trusts that we have set up, irrevocable trusts for our four children.

The CHAIRMAN. Now, then, this is distribution of the stockholder ownership of the corporation?

Mr. HARRIMAN. Cutting through certain details. I will be glad to give you the exact ownership.

The CHAIRMAN. How about the management of the two companies?

Mr. HARRIMAN. My brother and I are active partners in the partnership.

The CHAIRMAN. The banking partnership?

Mr. HARRIMAN. The banking firm. We were stockholders and now are voting trust certificate holders of Harriman Ripley. We have functioned in no greater extent than any stockholder, of any company, where a man would have a substantial investment. I think in actual fact we have done probably less. We haven't had anything to do with the management or its affairs or its commitments or anything other than reports that would logically be made by corporations to their stockholders.

The CHAIRMAN. You are not officers of the company?

Mr. HARRIMAN. We are not officers nor directors.

The CHAIRMAN. That partnership is managed—

Mr. HARRIMAN (interposing). That firm; it is a corporation.

The CHAIRMAN. I was referring now to Brown Brothers Harriman, the banking institution.

Mr. HARRIMAN. That firm is managed by nine partners, of which my brother and I are two.

The CHAIRMAN. So that of the bank, you do exercise a managerial power?

Mr. HARRIMAN. I do. I think you are familiar with some of my other activities.

I would like to state at some stage—I don't know whether this is the opportune moment or wait until Mr. Nehemkis is finished in trying to make me a dominating factor in something I am not—but I would like to explain one of the reasons—may I do it now?

The CHAIRMAN. May I ask the companion question? In answer to the question I have already propounded, you have said that you and your brother are active partners in the banking partnership and that you exercise a certain managerial power there?

Mr. HARRIMAN. That is correct.

The CHAIRMAN. Now, with respect to the corporation, are you or either of you officers of the corporation?

Mr. HARRIMAN. No, sir.

The CHAIRMAN. Would the corporation be the institution which handles securities and investments?

Mr. HARRIMAN. That is right.

The CHAIRMAN. Do you exercise any managerial power over that portion?

Mr. HARRIMAN. None whatsoever.

The CHAIRMAN. Who are the managers of that corporation?

Mr. HARRISON. Mr. Ripley is the president and there is a board of directors of five individuals who are officers of that firm.

The CHAIRMAN. And they operate in accordance with the bylaws under the charter issued by the State of New York?

Mr. HARRIMAN. Yes, and none of the partners, my brother nor I nor any of the partners of the firm doing the banking business have anything to do with the management of this corporation doing the underwriting.

The CHAIRMAN. And your interest in this company is that of a stockholder deriving profits, if possible, from the operation of the company?

Mr. HARRIMAN. That is correct. We were motivated to organize that company—if I get a chance to do so I would like to tell you why we organized this company, but perhaps this isn't the opportune time to.

The CHAIRMAN. You were about to make a statement when I interrupted you and unless Mr. Nehemkis objects I think you might make the statement now.

Mr. NEHEMKIS. I think it might be more helpful to the committee if we proceed and develop the facts.

Mr. HARRIMAN. I will be very glad to wait until I hear all of what Mr. Nehemkis has in his mind.

Mr. O'CONNELL. May I ask a question?

Mr. HARRIMAN. I understood you to say a little earlier that your interest in the Harriman Ripley Co. was the same sort of interest that any other stockholder would have. I understand you and your brother either own or control a majority of the stock interest in that company. That is correct, is it not?

Mr. HARRIMAN. Mr. Nehemkis is going to explain about a voting trust, and I will be glad to wait until he explains it.

When this company was started, my brother and I and certain holding companies were owners of over 90 percent.

Mr. O'CONNELL. To the extent that you are owners of the stock in this company, I take it your position is that you are interested in the affairs of the company to the same extent that any stockholder would be interested in the affairs of the company?

Mr. HARRIMAN. As a stockholder.

Mr. O'CONNELL. You have no reason for feeling that your interest in this company is any different from your interest in any other type of company in which you might have a stock interest?

Mr. HARRIMAN. I wouldn't think so, no.

VOTING TRUST FOR STOCK OF HARRIMAN RIPLEY & CO., INCORPORATED—
THE VOTING TRUSTEES

Mr. NEHEMKIS. You were about to describe the background of the three voting trustees. You had mentioned the name of Joseph Pierce Ripley and you had indicated that Mr. Ripley was the president of Brown Harriman & Co., and is now the president of Harriman Ripley & Co. You were going to tell us something about the prior affiliations of the three trustees. What was Mr. Ripley's prior background, just very briefly?

Mr. HARRIMAN. Mr. Ripley went to work I think as mechanic's helper somewhere out West and drifted to New York and got into the engineering firm of J. G. White & Co., engineers. He came from that firm to W. A. Harriman & Co. and was with us for several years—I have forgotten the length of time—worked with us and had an important position with us. He had an opportunity to go with

the National City Co., which had broader opportunities than the one he had with us at that moment, and he was interested in the experience that would give him and he went to them, and he worked up in that organization until in 1934 he was the executive vice president at the time when there was no president. Then he joined the group that organized Harriman Ripley & Co. and is now the president of that company. He is a man of great personal integrity and ideals; he is most careful; he is an unusual combination of a very careful and thorough man with rather broad vision and understanding as to the fundamentals of business of this character and I don't know anyone in this profession whom I have greater confidence in than I have in Mr. Ripley, and my brother shares that view.

Mr. NEHEMKIS. Another one of the voting trustees is Mr. George Adams Ellis?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. Will you tell us briefly about Mr. Ellis?

Mr. HARRIMAN. Mr. Ellis is a lawyer of the firm of Clark, Carr & Ellis. He happens to be a personal counsel of my brother and myself and of my mother's estate. He is a man that I have had a great deal of confidence in, not only as a lawyer but as a common-sense lawyer as well.

Mr. NEHEMKIS. And the third voting individual is Mr. Fred Baldwin Adams.

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. And Mr. Adams is the president of the West Indies Sugar Co., is he not?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. And director and chairman of the Air Reduction Co.?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. And director of the Atlantic Coast Line Railway?

Mr. HARRIMAN. That is right.

Mr. NEHEMKIS. How did it happen that Mr. Frederick Baldwin Adams was selected?

Mr. HARRIMAN. Mr. Adams is an old personal friend of my brother and myself. He had a small interest in the corporation, W. A. Harriman & Co., and was one of its directors. In selecting men for this voting trust, we selected him among our intimate friends that we thought not only understood in a general way the character of the business that was being conducted but he was a man that had real common sense and judgment, and we had a great deal of regard for his opinion.

Mr. NEHEMKIS. At the time this voting trust was set up, Mr. Harriman, what purpose did you have in mind, what did you seek to accomplish?

Mr. HARRIMAN. This voting trust, I will state it negatively first, was not set up to further insulate my brother or myself from this business. We didn't consider that we needed any such insulation, for either legal reasons or for practical reasons. The voting trust was set up because Mr. Ripley asked us to set the voting trust up.

Mr. NEHEMKIS. May I interrupt? Do I understand you correctly that the underlying purpose of the voting trust was suggested by Mr. Joseph P. Ripley?

Mr. HARRIMAN. That is correct, and we were glad and willing to accede to it for reasons that he had in mind. As I have explained to you, and as the Senator has seen, there is a number of individuals on whose lives depend certain continuity of voting rights of this stock. There was question in the mind of Mr. Ripley and some of his associates as to what might happen if some of us died, and in this type of business it isn't desirable to have outsiders as stockholders who might have different motives than the strict conduct of the business, and it was for that reason that he asked us to set the voting trust up. It was entirely at his suggestion, and I understand you are going to call him. You can ask him any further details you want.

Mr. NEHEMKIS. I would like to call at this time Mr. Joseph P. Ripley.

The CHAIRMAN. It is now a quarter past. Have you finished with Mr. Harriman?

Mr. NEHEMKIS. No. I expect to recall Mr. Harriman.

The CHAIRMAN. Would this be a suitable point to recess? We will recess until 2 o'clock, if that be agreeable.

Mr. HARRIMAN. Senator, may I ask that at some time I be asked to make a statement about the fundamental reasons that my brother and I put the money that we did into this enterprise?

The CHAIRMAN. I will be very glad to put the question to you.

Mr. HENDERSON. I will make an effort to see that it is done.

Mr. HARRIMAN. In case I am not called, I would like the opportunity to record that I want that opportunity.

The CHAIRMAN. The committee will stand in recess until 2 o'clock this afternoon.

(Whereupon, at 12:15 o'clock, the meeting recessed until 2 o'clock the same day.)

AFTERNOON SESSION

The committee resumed at 2:10 p. m., on the expiration of the recess.

The CHAIRMAN. The committee will please come to order.

Mr. NEHEMKIS. Mr. Ripley, please.

The CHAIRMAN. Do you solemnly swear that the testimony you are about to give in this proceeding shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. RIPLEY. I do.

TESTIMONY OF JOSEPH RIPLEY, PRESIDENT AND DIRECTOR, HARRIMAN RIPLEY & CO., INCORPORATED, NEW YORK, N. Y.

OFFICERS AND DIRECTORS OF HARRIMAN RIPLEY & CO., INCORPORATED, AND THEIR PRIOR AFFILIATIONS

Mr. NEHEMKIS. Mr. Ripley, will you state your full name and address, please?

Mr. RIPLEY. Joseph Pierce Ripley, Smithtown, Long Island, N. Y.

Mr. NEHEMKIS. What is your present business connection?

Mr. RIPLEY. Harriman Ripley & Co.

Mr. NEHEMKIS. Are you an officer of that company?

Mr. RIPLEY. Yes.

Mr. NEHEMKIS. What position do you occupy?

Mr. RIPLEY. President and director.

Mr. NEHEMKIS. How long have you held that position?

Mr. RIPLEY. About 5½ years.

Mr. NEHEMKIS. Were you president and director of Brown Harriman & Co.?

Mr. RIPLEY. Yes; but I must make clear that that is the same corporate entity as Harriman Ripley & Co.

Mr. NEHEMKIS. Are you now president and a director of the firm of Harriman Ripley & Co., Incorporated?

Mr. RIPLEY. I am president and director of the corporation known as Harriman Ripley & Co., but I cannot refer to it as a firm.

Mr. NEHEMKIS. Will you give me the names of the other officers and directors of Harriman Ripley & Co., Incorporated, and also state their prior affiliations?

Mr. RIPLEY. The names of the other directors are Pierpont V. Davis, who is vice president and director; Hendrik R. Jolles, who is vice president and director; Horace C. Sylvester, Jr., who is vice president and director; Willet Crosby Roper, who is treasurer and a director. Do you want the assistants?

Mr. NEHEMKIS. I want you to give me a statement——

Mr. RIPLEY (interposing). Reginald Martine is comptroller. William R. Eppel is assistant treasurer and assistant secretary.

Mr. NEHEMKIS. Does that complete all of the senior and junior officers of Harriman Ripley & Co., Incorporated?

Mr. RIPLEY. Yes; to the best of my recollection.

Mr. NEHEMKIS. Now will you state, Mr. Ripley, the prior affiliations of each of the officers and directors whom you have just given?

Mr. RIPLEY. Pierpont V. Davis was previously a vice president of the National City Co.

Mr. NEHEMKIS. May I interrupt for a moment, Mr. Ripley? Were you likewise a vice president of the National City Co.?

Mr. RIPLEY. I was at one time an assistant vice president of the National City Co. Then I was a vice president of the same company, and during the last year, approximately, ending the latter part of May 1934, I was executive vice president of the same company.

Mr. NEHEMKIS. Will you proceed, Mr. Ripley?

Mr. RIPLEY. Mr. Hendrik Jolles was a vice president of the National City Co. Mr. Horace Sylvester, Jr., was a vice president of the National City Co. Mr. Willet C. Roper was an office manager, I believe, of the firm of Brown Brothers Harriman & Co.; Mr. William R. Eppel was in the employ of the National City Co., and I have forgotten his title at the time he left the National City Co. Mr. Reginald Martine was in the employ of Brown Brothers Harriman & Co., but I cannot remember his exact position there.

Mr. NEHEMKIS. Now, how about some of the others that you mentioned, some of the junior vice presidents? What about—did you mention Elwood D. Smith's prior affiliation?

Mr. RIPLEY. I thought you wanted to know the directors. Elwood D. Smith is a vice president of Harriman Ripley & Co., and was employed by the National City Co. until the latter part of May, 1934.

Mr. NEHEMKIS. And Mr. Robert McLean Stewart?

Mr. RIPLEY. Mr. Robert McLean Stewart is now a vice president and was previously employed by the National City Co. until the latter part of May 1934. Mr. Milton C. Cross, who is a vice president of

Harriman Ripley & Co., was employed by the National City Co. until the latter part of May, 1934. Mr. Harry W. Beebe is a vice president of Harrimon Ripley & Co. and was employed by the National City Co. until the latter part of May, 1934.

Mr. NEHEMKIS. So that at the present time, 10 out of the 12 officers and directors of Harriman Ripley & Co., Incorporated, were formerly associated with the National City Co., the security affiliate of the National City Bank of New York; is that correct, Mr. Ripley?

Mr. RIPLEY. You will have to give me a minute to add it up and check the 10. I think it is correct.

Mr. NEHEMKIS. Take all the time you wish, Mr. Ripley.

Mr. RIPLEY. It is 10, but there is a name which I omitted, that being the name of James G. Scarff, who is a vice president of Harriman Ripley & Co. and was with the National City Co. until the latter part of May 1934.

Mr. NEHEMKIS. What is your complete answer? How many of the present officers and directors of Harriman Ripley & Co., Incorporated, were formerly associated with the National City Co.?

Mr. RIPLEY. I would say that there are 10 officers of Harriman Ripley & Co. who were associated with the National City Co., and that there are 4 directors of Harriman Ripley & Co., who were with the National City Co. Your question was officers and directors.

Mr. NEHEMKIS. You have answered my question, Mr. Ripley.

Mr. Chairman, may I offer in evidence a table showing the officers and directors of Harriman Ripley & Co., Incorporated, as of November 1939? This table indicates the names of the officers or directors, their present position with the firm of Harriman Ripley & Co., Incorporated, their previous connection, and the position held in that firm.

This table was prepared by the Investment Banking Section and is predicated on the registration statement for brokers or dealers transacting business on the over-the-counter markets on file with the Securities and Exchange Commission.

The CHAIRMAN. Without objection it may be received.

(The table referred to was marked "Exhibit No. 1532" and is included in the appendix on p. 11610.)

Mr. NEHEMKIS. Mr. Ripley, of the previous personnel of the National City Co. that are now associated with Harriman Ripley & Co., Incorporated, will you tell me the duties of Mr. Sylvester at the time he was a vice president of the National City Co.? Do you by chance recall that?

Mr. RIPLEY. Mr. Sylvester was with the National City Co. for an extended period of time, but the answer to your question depends upon the time you are talking about. If you mean—

Mr. NEHEMKIS (interposing). Immediately prior to dissolution and resignation of Mr. Sylvester.

Mr. RIPLEY. Mr. Sylvester had charge of the purchase and sale of municipal bonds and had charge of what we call the "sales and trading department," to the best of my recollection.

Mr. NEHEMKIS. And what are Mr. Sylvester's functions with Harriman Ripley & Co., Incorporated?

Mr. RIPLEY. He is a vice president in charge of the sales department, and a director of the company.

Mr. NEHEMKIS. Now, what were the duties, as of the same time and period as stated in my preceding question, of Mr. P. V. Davis at the time he was a vice president of the National City Co.?

Mr. RIPLEY. P. V. Davis as a vice president of the National City Co. in the latter part of May 1934, was a vice president in the buying department, as we call it.

Mr. NEHEMKIS. Did he not have any more specific functions than that? Did he not concern himself with particular types of securities?

Mr. RIPLEY. Davis bought various varieties of corporate securities, but he is generally looked upon as somewhat of a specialist in railroad bonds.

Mr. NEHEMKIS. And, Mr. Ripley, at the time that you were a vice president of the National City Co., what were your duties?

Mr. RIPLEY. At the same time, sir?

Mr. NEHEMKIS. At the same time, and let me state that all the questions I will ask you hereafter until I so indicate have the same time sequence. If there is any question in your mind, ask me.

Mr. RIPLEY. I was executive vice president of the company, in charge of operations.

Mr. NEHEMKIS. Did you not have any specialized type of security buying as your particular jurisdiction?

Mr. RIPLEY. Not at that time, but my background was rather more the purchase of industrial securities.

Mr. NEHEMKIS. Did you by chance concern yourself with the purchase of public utility securities?

Mr. RIPLEY. Very seldom, sir.

Mr. NEHEMKIS. Now what about the duties of Mr. Jolles? Do I pronounce his name correctly?

Mr. RIPLEY. No; his name is pronounced Jol'les—J-o-l-l-e-s.

Mr. NEHEMKIS. What were his duties?

Mr. RIPLEY. Mr. Jolles' duties with the National City Co. were in what essentially we call the foreign field.

Mr. NEHEMKIS. And Mr. Beebe who was at the time the junior officer, what were his duties and functions?

Mr. RIPLEY. Mr. Beebe in the National City Co. was in the sales department and took some part in syndicating.

Mr. NEHEMKIS. And what are his duties with Harriman Ripley & Co., Incorporated?

Mr. RIPLEY. He handles our syndicating of issues.

Mr. NEHEMKIS. And Mr. Scarff?

Mr. RIPLEY. Mr. Scarff is a vice president in the buying department of Harriman Ripley.

Mr. NEHEMKIS. And Mr. Milton Cross?

Mr. RIPLEY. The same.

VOTING TRUST FOR STOCK OF HARRIMAN RIPLEY & CO., INCORPORATED

Mr. NEHEMKIS. Mr. Ripley, I show you a copy of a voting trust agreement dated October 24, 1938. I ask you to tell me whether you recognize that document as the voting trust agreement under which you operate.

Mr. RIPLEY. I recognize it as the voting trust agreement of certain shares of Harriman Ripley & Co. I am puzzled to know how to say that I operate under it.

Mr. NEHEMKIS. You do identify this as the voting trust agreement?

Mr. RIPLEY. I identify that as a voting trust agreement under which various shares of Harriman Ripley are deposited.

Mr. NEHEMKIS. Mr. Chairman, I should like to have this document, just identified, filed with the committee.

The CHAIRMAN. Without objection, it may be filed.

(The agreement referred to was marked "Exhibit No. 1533" and is on file with the committee.)

The CHAIRMAN. How many shares are the subject of this agreement?

Mr. RIPLEY. One hundred and ninety-six thousand shares of common stock and 50,000 shares of preferred stock.

The CHAIRMAN. What proportion of the total stock of the company does that represent?

Mr. RIPLEY. Something over 90 percent, Mr. Chairman. I don't know the exact percentage.

Mr. NEHEMKIS. And can you tell me the prior holders of the preferred stock before it was deposited under the agreement?

Mr. RIPLEY. Five thousand shares, prior to this agreement, held by W. Averell Harriman; 5,000 preferred stock held by E. Roland Harriman; 15,000 shares of preferred stock were held by the Merchant Sterling Corporation.

Mr. NEHEMKIS. And what is the Merchant Sterling Corporation?

Mr. RIPLEY. May I complete? I am not through yet.

Twenty thousand shares of preferred stock were held by Orama Securities Corporation, and 5,000 held by the Sterling Iron & Railway Co.

Mr. NEHEMKIS. You had occasion to mention certain companies there. Will you tell me what those companies are?

Mr. RIPLEY. I don't know.

Mr. NEHEMKIS. You have no knowledge of what they are?

Mr. RIPLEY. I am satisfied as to who they are, but I don't have categorical knowledge.

Mr. NEHEMKIS. Who would know?

Mr. RIPLEY. Mr. Harriman would know.

Mr. NEHEMKIS. Now, of the common stock prior to its deposit under the agreement, can you tell me who the holders were and the amounts held, if you will, please?

Mr. RIPLEY. Twenty-two thousand shares of common stock were held under a trust for the benefit of Mary Averell Harriman; another 22,000 shares of common stock were held in a trust for the benefit of Kathleen L. Harriman; another 22,000 shares were held in a trust for the benefit of Elizabeth Harriman; another 22,000 shares were held in a trust for the benefit of Phyllis Harriman; 54,000 shares were held by Merchant Sterling Corporation; 54,000 shares were held by Orama Securities Corporation.

Mr. NEHEMKIS. Are you a voting trustee under the voting-trust agreement?

Mr. RIPLEY. I am, under the voting-trust agreement which you just turned in.

Mr. NEHEMKIS. Are there any other voting-trust agreements?

Mr. RIPLEY. No; but I thought possibly you referred to these trusts I mentioned here.

Mr. NEHEMKIS. Do you know, Mr. Ripley, can you tell me whether you and your two associates as voting trustees have ever held any meetings?

Mr. RIPLEY. Yes.

Mr. NEHEMKIS. And when did you hold such meetings?

Mr. RIPLEY. We met in October 1938, when the trust was established and closed.

Mr. NEHEMKIS. Have you ever held any other meetings?

Mr. RIPLEY. Two of the trustees were present at the stockholders' meeting held in the early part of 1939.

Mr. NEHEMKIS. And will you give me the names of those two trustees who were present at the meeting you referred to?

Mr. RIPLEY. Frederick B. Adams and myself.

Mr. NEHEMKIS. Now, at the first meeting that you referred to, October 25, 1938, I believe you said—

Mr. RIPLEY (interposing). I didn't say the day, but that sounds correct.

Mr. NEHEMKIS. You accept that date as being the date of the meeting?

Mr. RIPLEY. Yes.

Mr. NEHEMKIS. Will you tell me briefly what the nature of the business was which was transacted?

Mr. RIPLEY. We closed the voting trust. By that I mean that the stock was delivered to the voting trustees, the voting trust agreement was executed, the voting trust certificates were issued and delivered, the stock was taken to the vault of a bank, and the other regular procedure of closing such a voting trust was gone through.

Mr. NEHEMKIS. Other than the meeting of October 25, 1938, at which were present all three voting trustees, has there been any other meeting at which all three voting trustees were present for the purpose of transacting business?

Mr. RIPLEY. There has been no formal meeting, but the voting trustees see each other from time to time, informally.

Mr. NEHEMKIS. But that was the only formal meeting?

Mr. RIPLEY. I would say so, except the shareholders' meeting in the early part of 1939.

Mr. NEHEMKIS. I beg your pardon, you were not finished.

Mr. RIPLEY. 1939. I just didn't get a chance to give the last word.

Mr. NEHEMKIS. Are there any records kept of the meeting of the voting trustees, any formal minutes or records?

Mr. RIPLEY. There is no record other than the closing papers of the first meeting in 1938, which is about 1 year ago, plus the record of the stockholders' meeting held in March 1939.

Mr. NEHEMKIS. Now, at the time that you became a voting trustee, did you receive any instructions as to what your duties were to be?

Mr. RIPLEY. Yes.

Mr. NEHEMKIS. From whom did you receive such instructions?

Mr. RIPLEY. Counsel.

Mr. NEHEMKIS. And will you indicate counsel's name?

Mr. RIPLEY. Davis, Polk, Wardwell, Gardiner, and Reed.

Mr. NEHEMKIS. Did you receive instructions from any other person or persons?

Mr. RIPLEY. No.

Mr. NEHEMKIS. Did you have any discussions with Mr. W. Averell Harriman or with E. Roland Harriman concerning your duties and functions as a voting trustee?

Mr. RIPLEY. No.

Mr. NEHEMKIS. Mr. Ripley, what do you conceive the purpose of the voting trust agreement to be?

Mr. RIPLEY. I conceive the purpose to be precisely what is written on the first paragraph in the first page which reads [reading from "Exhibit No. 1533"]:

WHEREAS the Stockholders deem it for the best interests of themselves and of the Corporation to act together concerning the management of the Corporation and to that end to unite for a definite period of time certain voting and other powers and rights held by them as stockholders of the Corporation, and to place such rights and powers in the hands of the Trustees as hereinafter provided.

Mr. NEHEMKIS. I believe that Mr. Harriman testified this morning that the suggestion for the creation of the voting trust agreement was yours. Is that correct?

Mr. RIPLEY. I couldn't hear just what he testified, but I will testify that the suggestion was mine; yes.

Mr. NEHEMKIS. Now, would you describe for the committee, if you will, Mr. Ripley, the manner by which the National City Co. was associated with the National City Bank of New York?

Mr. RIPLEY. Yes. I will do so to the best of my ability from recollection. All of the stock of the National City Co. was held under a trust agreement by three trustees for the benefit of the stockholders of the National City Bank, and the stock certificate pertaining to the National City Co. was printed or engraved on the reverse side of the shares of the National City Bank. That is my recollection.

Now, do you want me to describe the trust agreement?

Mr. NEHEMKIS. No; that is all I have asked for and I think you have done that very well.

Mr. RIPLEY. I want to add that the appointment of the trustees under the National City plan was in the hands of those persons who were directors in the National City Bank. The power to remove a trustee rested in the hands of those who were directors of the National City Bank. The trust agreement recites that the trustees of the National City Co. might consult the directors of the National City Bank for advice, and that they would be protected if they acted on such advice; if one of those three trustees should die or resign, the appointment of a successor was in the hands of those who were the directors of the National City Bank.

Mr. NEHEMKIS. Would it be an accurate statement, Mr. Ripley, to say that your familiarity with the voting-trust machinery of the National City Bank of New York and National City Co. prompted your suggestion for the creation of a similar instrument for Brown Brothers Harriman & Co., Harriman Ripley & Co., Incorporated?

Mr. RIPLEY. No; that would be an inaccurate statement.

Mr. NEHEMKIS. How did it happen that you suggested the voting-trust arrangement? You must recall, if perhaps you can, what the discussions were at the time. What prompted you to suggest that special type of instrument?

Mr. RIPLEY. For 9 years, sir, I worked for the National City Co., whose stock was traded on the public markets. It went up one day and it went down another day. I observed the effect of that situation on an investment-banking organization. I observed that some members of the staff were watching the market for the stock of the company rather than tending to their business. I vowed that, if I could help it, I would never wish to work for an investment-banking organization whose stock was spread all around and for which there were public markets.

Now, in 1934 I went through some difficulties in organizing a new investment banking organization. I had several hundred employees to whom I thought I owed a great obligation for the continuance of their employment. Why? Because literally hundreds of them came to me from time to time asking me what the future held out, whether there was going to be any job for them.

Now, in 1934, June, we succeeded in organizing Brown Harriman & Co., which has since become Harriman Ripley & Co. After organizing it, there was a great amount of confusion that took place at that time. It began to dawn on my mind that something might happen if either or both of the Harrimans should die; something might happen if one of these girls for whose benefit certain shares are held should marry and then die; and it became clear to me that I might end up right back where I started. Now, feeling as I did that I had this obligation to my staff and to myself, I made up my mind that I was going to try to do something to prevent getting myself back into the position where the stock of this company was spread around in various hands and the future was distinctly uncertain.

Mr. NEHEMKIS. It couldn't possibly be true, could it, Mr. Ripley, that the purpose of the voting-trust agreement was to immunize the banking firm of Brown Brothers Harriman & Co. from the underwriting firm of Brown Harriman & Co., now Harriman Ripley & Co.?

Mr. RIPLEY. That was not the purpose.

Mr. NEHEMKIS. And it couldn't possibly be true, could it, Mr. Ripley, that the purpose of the voting-trust agreement was to create a legal fiction that would prevent the banking firm from having any direct physical contact with the underwriting firm?

Mr. RIPLEY. That was not the purpose.

Mr. NEHEMKIS. Now, the National City Co. was one of the largest originators and distributors of securities in the United States prior to the time of its dissolution. Is that correct, Mr. Ripley?

Mr. RIPLEY. Yes.

Mr. NEHEMKIS. I have before me a table entitled, "Origination of bond issues by all houses originating \$20,000,000 or more per annum, 1927-30." The source of the data underlying this table is predicated upon hearings held before a committee of Congress pursuant to Senate Resolution 71, Seventy-first Congress, third session, 1931. The data appears on page 299. Some of the data which went into the preparation of this table is also predicated upon information appearing in

the Wall Street Journal during the years 1927-30. May it please the committee, I offer this table in evidence.

The CHAIRMAN. This, you say, is taken from the Senate hearings?

Mr. NEHEMKIS. That is correct.

The CHAIRMAN. Without objection, it may be admitted.

(The document referred to was marked "Exhibit No. 1534" and is included in the appendix on p. 11611.)

Mr. NEHEMKIS. I notice in this exhibit, Mr. Ripley, that for the year 1927 the National City Co. originated over \$408,000,000 of securities which were 54 percent of all originations by bank affiliates, and for the year 1929, over \$465,000,000 of securities, which were 48 percent of the total bank-affiliate originations.

Mr. RIPLEY. Let me interrupt. You have misread your own statement.

Mr. NEHEMKIS. Have I?

Mr. RIPLEY. Yes. You said 1929; you mean 1928.

Mr. NEHEMKIS. I thought I said 1927, but I accept your correction. For the year 1929 the National City Co. appears to have originated over \$360,000,000 of securities which represent 30 percent of the total bank affiliate originations, and for the year 1930 I observe from this table that the National City Co. originated over \$227,000,000 of securities, which represents 12 percent of the total bank-affiliate originations.

Mr. Chairman, may it please the committee, I should like to offer in evidence a table likewise taken from the hearings pursuant to Senate Resolution 71 which I mentioned a moment ago, and a letter offered in connection with those hearings to Mr. Julian W. Blount, then clerk of the United States Senate Committee on Banking and Currency. The letter was written by Mr. C. E. Mitchell, who at that time, I believe, was president of the National City Bank. The letter is dated New York, February 10, 1931.

DEAR MR. BLOUNT: In the course of my hearing before the Senate Committee on Banking and Currency on February 2, Senator Walcott requested me to gather some data regarding the increasing importance in recent years of banking affiliates in the investment banking business, and I agreed to do so. As a result of a study made by our people, I am now able to send for your records the attached sheets.

The first is a record of the past four years of the origination of bond issues by all houses who originated \$20,000,000 or more per annum. From this table it will be noted that banking affiliate organizations during this period increased from 12.8 per cent of the total in 1927 to 23.3 per cent in 1928, 41.5 per cent in 1929, and 39.2 per cent in 1930.

I offer, Mr. Chairman, the letter from which I have just read, and the table which I have previously identified.

The CHAIRMAN. Without objection, it may be admitted.

(The documents referred to were marked "Exhibit No. 1535" and are included in the appendix on p. 11612.)

Mr. NEHEMKIS. Mr. Ripley, at the time that the City Company was confronted with the necessity of dissolution, what discussions took place, if any, among the officers with respect to their future relationship with the investment banking business?

Mr. RIPLEY. We discussed the problem of what we would do with the organization, the staff, and ourselves.

Mr. NEHEMKIS. And you were seriously concerned about finding a place for many of the personnel with whom you no doubt had been associated during the years?

Mr. RIPLEY. Particularly so, because I thought that it constituted the finest investment banking organization that existed at that time.

Mr. NEHEMKIS. You are referring to the National City Co.

Mr. RIPLEY. Yes.

Mr. NEHEMKIS. And I assume that the officers discussed amongst themselves their own future?

Mr. RIPLEY. Yes.

Mr. NEHEMKIS. Now, were there any discussions among the officers concerning the business of the City Company?

Mr. RIPLEY. I don't know how to interpret your question.

Mr. NEHEMKIS. Well, I will give you another question and see if I can make it clearer to you. Did any discussions take place among the officers as to what disposition was to be made of the business formerly handled by the City Company?

Mr. RIPLEY. Do you mean what disposition by the bank which controlled the situation?

Mr. NEHEMKIS. That is implied in the question I asked; yes.

Mr. RIPLEY. Yes; there was doubtless discussed the question as to what the bank would do about it.

Mr. NEHEMKIS. What was the nature of those discussions?

Mr. RIPLEY. We were wondering whether the bank was going to completely give up the situation or find some way to carry on. We didn't know what they were going to do.

Mr. NEHEMKIS. And were there any discussions among the officers as to whether certain accounts of the National City Co. would follow certain officers in their new connections?

Mr. RIPLEY. I have expressed the opinion from time to time to my associates that as time went on the natural outcome and evolution would be that issuing corporations would probably see fit to do business with those people with whom they had successfully and satisfactorily done business in the past, but that was only an opinion.

Mr. NEHEMKIS. Mr. Ripley, was one of your fellow officers in the National City Co. Mr. Stanley Russell?

Mr. RIPLEY. Yes.

Mr. NEHEMKIS. Did you have an understanding with Mr. Stanley Russell concerning the participations that the National City Co. formerly had and as to what their future disposition might be?

Mr. RIPLEY. No.

Mr. NEHEMKIS. You had no understanding with Mr. Stanley Russell concerning the originations of the National City Co. and what their future disposition might be?

Mr. RIPLEY. No.

Mr. NEHEMKIS. So that you had, if I understand you correctly, no understanding concerning either National City Co. originations or participations?

Mr. RIPLEY. No understanding.

Mr. NEHEMKIS. I would like to recall Mr. Harriman.

TESTIMONY OF W. AVERELL HARRIMAN, BROWN BROTHERS HARRIMAN & CO., NEW YORK, N. Y.—Resumed

Mr. NEHEMKIS. Mr. Harriman, this morning you were about to tell us what you conceived the function of the voting-trust agree-

ment to be. Will you give me your opinion of what you conceived that instrument to be and what its purpose is in your judgment?

Mr. HARRIMAN. Mr. Ripley has read, from the voting-trust agreement its purposes, and I don't know that I can amplify that to any extent. Mr. Ripley has told you his concern because of the individual stockholders and what might happen in the event of their death. I don't believe I can add anything to what he said.

Mr. NEHEMKIS. In other words, you accept the observations of Mr. Ripley as your own?

(Mr. Harriman nodded his head.)

Mr. HENDERSON. Mr. Nehemkis, I think that you asked two very specific questions of Mr. Ripley, and Mr. Harriman may want to speak directly on both of those. It is correct that he should have that opportunity.

Mr. NEHEMKIS. Yes. In your opinion, Mr. Harriman, one of the purposes of setting up the voting trust agreement could not possibly have been an effort to immunize the banking firm of Brown Brothers Harriman & Co. from the underwriting firm of Brown Harriman & Co. or Harriman Ripley & Co., Incorporated?

Mr. HARRIMAN. When you say "could not possibly"—I think in the letter that I wrote to Mr. Henderson—I will try to get that letter if I can, I don't recall the language of it—this letter was a letter written to Mr. Henderson in reply to certain questions that he asked me. In the preamble of the letter I gave a rather brief history of the relationship of my brother and myself to Harriman Ripley & Co. as stockholders, indicating that the partnership of Brown Brothers Harriman & Co. had no interest in Harriman Ripley, and I indicated that the conduct of the two businesses were entirely separate; there was no interlocking relationships of any kind. I think that is a fair summary of the first part of it. I can read it if you wish.

Mr. NEHEMKIS. I think that is a fair statement.

Mr. HARRIMAN. I speak of the fact that we have been stockholders, and I make this statement:

We are not, however, and never have been directors or officers of the new corporation and we have not directly or indirectly in any way engaged in or carried on business for the new corporation. While we have naturally as stockholders been familiar with the results of its operations, we have been scrupulous in leaving the management and operation of the corporation entirely to its own board of directors and officers. The formation in 1938 of the voting trust for stock of the new corporation merely confirmed the position that we have taken from the beginning, that we would not interfere or participate in its business.

Although I stated this morning that it was not the purpose in considering the fundamental purposes of setting up this voting trust to immunize ourselves or the firm from the business, it is a fact, I believe, that it does further remove us from the corporation because we have given to these voting trustees our voting rights as stockholders.

Mr. NEHEMKIS. If that is the result achieved, is it not possible that you had that end result in mind at the time that you were considering how to effect this physical immunization that we have been speaking of?

Mr. HARRIMAN. Well, I think a fair answer to that statement is that we, my brother and I, gave consideration and consulted counsel

on the legal aspects of being stockholders of this new situation, and as far as I am concerned I believe I dismissed it from my mind and went about my business.

Mr. NEHEMKIS. Mr. Harriman, I show you a letter dated Washington, D. C., December 6, 1939, addressed to me. I ask you to tell me whether you wrote that letter, whether this is your signature.

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. Mr. Chairman, if it please the committee, I offer the letter just identified by the witness in evidence.

The CHAIRMAN. Do you want this letter to be printed in the record?

Mr. NEHEMKIS. I do, sir.

The CHAIRMAN. Do you care to have it read?

Mr. NEHEMKIS. We have covered the data.

The CHAIRMAN. Without objection, it may be printed in the record. (The letter referred to was marked "Exhibit No. 1536" and is included in the appendix on p. 11613.)

Mr. NEHEMKIS. Mr. Chairman, I believe that Mr. Harriman indicated this morning that he wished to make some statement. I have no further questions to put to him, and I wish to turn later again to Mr. Ripley.

The CHAIRMAN. Are you ready now, Mr. Harriman, to make the statement to which you referred this morning?

STATEMENT BY W. AVERELL HARRIMAN—FORMATION OF BROWN HARRIMAN & CO., INCORPORATED—INTERESTS OF HARRIMAN FAMILY—QUESTION OF CONTROL—COMPLIANCE WITH THE BANKING ACT

Mr. HARRIMAN. Yes, sir. With your permission and the permission of the committee, I will make this very brief, but as some of these questions have perhaps had some implications in them which I haven't been fully able to follow, I would like just in a simple way to indicate my attitude and my brother's attitude toward this whole affair that is under your scrutiny.

I have to go back a little bit to the situation that led up to the Harriman firm company merging with Brown Brothers in the creation of the firm Brown Brothers Harriman & Co. One of the motivating reasons on my part for being glad of the association was that it brought me in contact with a group of partners who had long training and skill in this business. I had had to give a great deal of my personal time and attention in our smaller organization to its affairs, and I looked forward to an opportunity to do certain other things which I was very much interested in.

This merger was brought about January 1, 1931, and I would indicate not only that that was one of the purposes I had in mind in connection with it, but, if I may, just briefly high-spot some of the things outside of the banking business that I have engaged in.

In June of 1931 I became chairman of the executive committee of the Illinois Central, in July of 1932 as a result of Judge Lovett's death I became chairman of the board of the Union Pacific Railroad Co. For certain months in '33 and '34 and '35 I devoted myself to activities with the N. R. A. here in Washington. I think I was down here for two periods combined, totaling something like 12 or 13 months.

During the last 3 years I have been chairman of the business advisory council of the Department of Commerce. That may seem to

you to have nothing to do with the particular investigation, but I want to make it quite plain that there is no motive in this situation other than those that I describe or have described, of any controlling desire in my part in the activities in the banking field. I was in a mood to withdraw myself from the immediate activities, although I have continued to take very keen interest in the business of Brown Brothers Harriman & Co. and keep my office there.

Mr. AVILDSSEN. What was your position in the N. R. A. organization?

Mr. HARRIMAN. I was, the last winter, the winter of '34 and '35, administrative officer serving under the N. R. A. Board. That was a full-time job.

Mr. HENDERSON. I think I can bear testimony that that was a full-time job.

The CHAIRMAN. I take it you were at that time Mr. Henderson's boss.

Mr. HARRIMAN. He resents that question.

Mr. HENDERSON. Mr. Harriman was an employee of the Board of which I was a member.

Mr. HARRIMAN. I think I will argue the point, though, at some time as to whether he was my boss or I was his. At all events, we worked together.

Mr. HENDERSON. We got a lot of work from Mr. Harriman, I can say that.

Mr. HARRIMAN. In 1933, Congress passed the Banking Act. Under the provisions, the firm had to go out of the underwriting business.

It was brought out through testimony this morning that I was concerned and my brother was concerned over the future of our partners and the employees. We had given a good deal of thought during that year and considered various proposals that would be helpful to these men. It wasn't until Mr. Ripley came to us in May that we developed a program that was most to our liking.

I want to make it clear, gentlemen, that we had three motivating purposes, and I say this without any qualification. The first was our concern over our partners and our employees. The second was—if we can bring ourselves back to the mental state of business people in the country at that time—there was a great deal of concern over what was going to happen to the investment banking machinery. There was so much of it had been done by the bank affiliates. The fact that I was working in Washington was a clear indication that questions of employment and general economic good were much in my mind at that time.

I felt that it was an important public service to assist in the starting of an enterprise that would carry on the important function of assisting in the flow of private capital into industry. That is to my mind one of the greatest sources of employment and stability of our economy, and I thought we were doing that. I don't mean to say we could have afforded to make improvident investments, but I can assure you gentlemen that was very much in the minds of my brother and myself in connection with this question. We thought we were doing a useful job as citizens of the country in making this thing possible.

In our early discussions, Mr. Ripley thought that he might be able to get some capital from people he knew, or some of the other men that were coming into this new situation, and there were discussions

with certain people; and when we first considered it, we had in mind the possibility that we might undertake only a relatively, considerably less share of the capital. When it came to the final closing of the situation, it had been impossible to obtain money from sources that Mr. Ripley was ready to receive it from; he has explained to you why he did not want to go to the general public; he did not think this is the character of business we should go to the general public with and I agree with that. So it was a question finally put up to us as to whether we would put all this money into it or see the whole thing given up, and we decided to do it.

It is an unusual situation for a couple of men to put in as large a sum of money and not be more active than we have in the business, but I can assure you that the two reasons that we have given are the only two motivating reasons that I can think of. As it appeared to us at that time, and as it appears to us at the present time, there is no advantage to Brown Brothers Harriman Co. because we as a company have no stock interest in Harriman Ripley & Co., and as far as I know, I don't see any advantage to Harriman Ripley in the fact that two partners of Brown Brothers Harriman & Co. had a substantial stock interest and are now holders of the voting-trust certificates.

Those, briefly, are our motivating reasons. I am frank to say that I am proud of our association with this situation. The company has given employment, has done a job that is creditable to the community and to the name they bear, and they have made a reasonable profit, nothing brilliant, but they have made a reasonable profit.

The CHAIRMAN. Now, as I understand the situation, Mr. Harriman—

Mr. HARRIMAN (interposing). May I say also we wouldn't have made this investment unless we felt it was a sound investment. That was the third reason.

The CHAIRMAN. As I understand the testimony which has been given here by yourself and Mr. Ripley, prior to the passage of the banking act of 1933 Brown Brothers Harriman, a partnership, was engaged in the business of banking in all its phases, and in the business of underwriting securities.

Mr. HARRIMAN. Yes, sir.

The CHAIRMAN. After the passage of the act of 1933, which provided for the divorcement of the underwriting business from the business of banking, the firm which is now known as Harriman Ripley & Co. was organized?

Mr. HARRIMAN. Yes, sir.

The CHAIRMAN. You and your brother became the principal stockholders of the new company?

Mr. HARRIMAN. Yes, sir.

The CHAIRMAN. Which was to engage solely in the business of underwriting investment securities?

Mr. HARRIMAN. That is correct.

The CHAIRMAN. Then, for the purpose of managing that company you secured the services of investment experts, some of whom, as many as 11, apparently were former officials or employees of the National City Co.

Mr. HARRIMAN. I think there were about 210 in all.

The CHAIRMAN. I meant the officers. I did use the word employees. Those persons had by their experience especial training in the business in which this new company was to engage; that is correct?

Mr. HARRIMAN. That is correct.

The CHAIRMAN. Then the ownership of stock in this new company—

Mr. HARRIMAN (interposing). Just a minute. In addition to the group that came over from the City Co. were some 230 partners and employees of Brown Brothers, Harriman & Co.

The CHAIRMAN. Yes. So that your personnel, both official and employees, was drawn from Brown Brothers and from National City, and all had been trained.

Mr. HARRIMAN. And it is rather an accident of human frailty or various reasons as to why they started off more or less balanced and now it was brought out in the testimony as I listened to it, in which I learned something about the company, there were 11 out of the 13 principal officers that were from the City Co. That is due to deaths, and retirements for one reason or another, all explainable if you were interested in it.

The CHAIRMAN. Then as I recollect—

Mr. HARRIMAN (interposing). But it started off about a 50-50 relationship.

The CHAIRMAN. As you recall the table which you presented this morning, the family stock interest was divided into three groups of approximately 30 percent each, and Mr. Ripley and his associates are the owners of less than 5 percent of the stock of this company.

Mr. HARRIMAN. At present associated with Harriman Ripley.

The CHAIRMAN. Mr. Ripley and his associates are the managers of this company?

Mr. HARRIMAN. That is correct.

The CHAIRMAN. And you and your brother and family as stockholders do not attempt to exercise any control over their discretion in the management of the company?

Mr. HARRIMAN. That is correct.

The CHAIRMAN. And in addition to the fact that they operate under by-laws, adopted by the directors, and as I understood your testimony are free within those by-laws to act, you and your associates of the Harriman family have signed the voting-trust agreement which was brought in here, by which all of the voting powers of this 90-percent-plus stock ownership is vested in Mr. Ripley, who is the president of the company, and in his associates?

Mr. HARRIMAN. Not in his associates; two outside individuals.

The CHAIRMAN. I meant in the trustee associates.

Mr. HARRIMAN. Yes; two outside individuals.

The CHAIRMAN. And those two trustees are not themselves officers or directors of the company?

Mr. HARRIMAN. No.

The CHAIRMAN. Mr. Ripley is the only one of the trustees who is an officer of the company?

Mr. HARRIMAN. That is correct.

The CHAIRMAN. And at the time that this company was organized, and at the time that the voting trust agreement was drawn, did you consult counsel?

Mr. HARRIMAN. Yes, sir.

The CHAIRMAN. As to whether or not this transaction complied with the provisions of the Banking Act of 1933 with respect to divorcement?

Mr. HARRIMAN. Every aspect of it; yes, sir.

The CHAIRMAN. And what advice were you given by counsel?

Mr. HARRIMAN. Of course, that was 5½ years ago and I am not sure I can give it, but counsel advised that every aspect of the transaction entered into in 1934 was entirely within the law, unqualifiedly.

Mr. O'CONNELL. Did you say in 1934? That wasn't the year the voting-trust agreement was entered into, was it?

Mr. HARRIMAN. No. I thought the Senator asked me about the transaction in 1934.

The CHAIRMAN. Well, both.

Mr. HARRIMAN. Of course, again in 1938 when the voting trust was set up, that was done, of course, with the advice of counsel.

Mr. O'CONNELL. Your answer is, as to the original divorcement in 1934, that you consulted counsel later when the stock held by you and your brother, or the beneficial ownership, was put in the hands of voting trustees; you also consulted counsel as to whether or not the transaction was proper under the banking law?

Mr. HARRIMAN. That is correct.

Mr. O'CONNELL. This morning, and throughout your testimony, you have been very careful and very explicit on the point that although you had the ownership of the stock you exercised no control over the management of the company?

Mr. HARRIMAN. That is correct.

Mr. O'CONNELL. You also indicated this morning in answer to a question from me that you felt that your position as regards this corporation was the same as regards your position with regard to any other corporation in which you might hold stock. Is that correct?

Mr. HARRIMAN. That—I think you will recall I hesitated in the answer. I said it was substantially correct. There are two somewhat quite different aspects, if you might own a few hundred shares of a company that you could buy and sell; this was a frozen investment. We couldn't get in and out, naturally, and we gave it a great deal more thought than we would, perhaps, the purchase of a small investment in a big corporation. In addition to that, this corporation bears my brother's and my name, and we naturally gave it a great deal of thought because of that.

Mr. O'CONNELL. I also understood you to say you exercised practically no control, in spite of those facts?

Mr. HARRIMAN. That is correct.

Mr. O'CONNELL. Would you say that you would feel under all the facts a duty to exercise less or more control as regards a securities company in which you hold a majority of the stock than you would an industrial company, say?

Mr. HARRIMAN. Well, the Senator asked me a question as to what was the advice of counsel. I remember one thing counsel told us; that was, if we had wanted to be directors of Harriman Ripley, it was his legal opinion that it would have been entirely legal for us to have done so. We had plenty to do, and we didn't want to take on that responsibility, and in a small situation of that kind it is

rather difficult for directors to be at arms' length from management as they are in a railroad or other corporation of that kind. The borderline between directors and management is so slight that I preferred not to become involved to that extent.

Mr. O'CONNELL. Well, frankly, what I was interested in and was attempting to find out—it is rather difficult, I'm afraid—was as to how much of your attitude as regards control of the investment company was predicated upon the legislation evidenced by the Banking Act of 1933, the purpose of which, as I understand it, was to divorce the banks from their investment affiliates.

Mr. HARRIMAN. Well, I think that if it hadn't been for the Banking Act—I am trying to be perfectly frank about it—if it had not been for the Banking Act, with a company that my brother and I had as large an interest in as we had in this—I don't know of any other exact situation—it might well have been that we would have taken a larger part in the affairs of the company. But we wanted to not only live up to the letter of the law but to be quite sure that we were abiding by the spirit of the law. I have always thought this in connection with it. You are pressing me for details, and I had not wanted to take too much of the committee's time. The private banking business had suffered very materially during the depression because of its connection with the underwriting business, and the deposits of the firm had shrunk very materially. We had an uphill battle to rebuild the individuality and personality of the private banking business, and that had a bearing in addition to our connection with the underwriting house, and was one of the reasons why some of my partners were pressing at all times for a change of the name of Brown Harriman, which seems obvious to you gentlemen now that it was a mistake, but at the time, as I explained this morning, we did not appreciate that it would be. There was a reluctance on the part—

The CHAIRMAN. Do you make that conclusion as of yourself or for the committee, that that was a mistake?

Mr. HARRIMAN. Well, for myself. You are able, I am sure, to make your own deductions from it. But I want to make it plain that the private banking business had suffered from certain of the difficulties involved, and we had this uphill battle to do, and my partners and those that were with me during the day-to-day business were very anxious to keep themselves as far dissociated as was possible.

The CHAIRMAN. Now, does the banking company—the banking partnership—now exercise any control over the underwriting business of the corporation?

Mr. HARRIMAN. In no shape, manner, or description, sir.

The CHAIRMAN. Does the underwriting company exercise any control over the banking business?

Mr. HARRIMAN. In no shape, manner, or description, sir.

The CHAIRMAN. Do you, as a stock owner, exercise any control, any directional control, with respect to the business of the underwriting company?

Mr. HARRIMAN. Not with respect to the business at all.

The CHAIRMAN. But with respect to the election of directors and the selection of officers?

Mr. HARRIMAN. Well, we did that up to 1938. Since that time—

The CHAIRMAN. Until the voting trust agreement?

Mr. HARRIMAN. That is correct.

The CHAIRMAN. Until that voting agreement was entered into?

Mr. HARRIMAN. That is correct.

The CHAIRMAN. Now, the termination of that voting trust agreement is in 1948?

Mr. HARRIMAN. 1938—oh, yes; 1948.

The CHAIRMAN. But it is terminable prior to that time?

Mr. HARRIMAN. I don't think it is.

Mr. RIPLEY. By the trustees.

Mr. HARRIMAN. By the trustees; yes.

The CHAIRMAN. But not by the stockholders?

Mr. HARRIMAN. No.

The CHAIRMAN. So that when you signed this voting trust agreement, so far as you were concerned, you delivered into the hands of Mr. Ripley and the other two trustees the complete power to vote that stock until 1948?

Mr. HARRIMAN. That is correct.

Mr. NEHEMKIS. I have no further questions of Mr. Harriman. I wish to ask Mr. Ripley one matter, if you please.

The CHAIRMAN. Mr. Harriman is now being dismissed. Thank you, Mr. Harriman.

Mr. HARRIMAN. Thank you.

Mr. NEHEMKIS. Thank you, Mr. Harriman.

(The witness was excused.)

**TESTIMONY OF JOSEPH P. RIPLEY, PRESIDENT AND DIRECTOR,
HARRIMAN RIPLEY & CO., INCORPORATED, NEW YORK, N. Y.—
Resumed**

Mr. NEHEMKIS. Mr. Ripley, in response to a communication which I sent to you on August 18, 1939, in behalf of this committee, had you caused to be prepared certain schedules showing the originations, participations, and profits of Harriman Ripley & Co., Incorporated?

Mr. RIPLEY. Yes; using the term profits in the sense of gross profits.

Mr. NEHEMKIS. I show you these schedules and ask if they are the schedules which were prepared or caused to be prepared by you?

Mr. RIPLEY. Yes.

Mr. NEHEMKIS. Are they the schedules which you submitted to me?

Mr. RIPLEY. They are the schedules which Mr. W. C. Roper sent to you.

Mr. NEHEMKIS. Mr. Chairman, I ask that the schedules, just identified by the witness, be marked for identification.

The CHAIRMAN. They may be received.

(The schedules referred to were marked "Exhibit No. 1537" for identification.)

**EFFORTS TO PROCURE CAPITAL IN FORMATION OF BROWN HARRIMAN &
CO., INCORPORATED**

Mr. MILLER. May I ask a question of Mr. Ripley? In 1934, when this firm, the underwriting distributing business, was organized, and

Mr. Harriman and his brother put up substantially all of the \$5,000,000 required to conduct the business, if Mr. Harriman and his brother had been unwilling or unable to put up that money, would it have been difficult to obtain it from other sources?

Mr. RIPLEY. My answer is that there is no doubt whatever that it would have been difficult, because I tried. When I first approached the two Harrimans to get capital to organize and launch a new investment banking organization, they asked me if I could get anybody else to chip in, so to speak, and help; I said yes, that I thought I could. Bear in mind that this was about the middle or latter part of May 1934; it was not until almost the last minute that we men learned that we would be let out of the National City Bank & Co., a total of 400 of us. The time became very short. I approached several other men who I knew had capital. I have their names here. I hope the committee will not ask me to give the names, but I shall give them if I am required to do so. Every one of them were men of prominence in American business and they had capital.

I approached them to try and get them to join this party, so to speak, with the Harrimans and the rest of us, to launch this venture, and I was unsuccessful in every case.

Now, as time went on and the deadline came nearer I urged the Harrimans to go ahead, anyway, with the assurance that my associates and I would put up what we could, and so we did.

So my answer to your question is decidedly yes, because I tried it.

Mr. MILLER. Why was it that capital was so unwilling or disinterested in going into the investment banking business at this period?

Mr. RIPLEY. I can only answer you as to the reasons that were given me by these men whom I approached. Generally speaking, they said that they felt there was great uncertainty as to the future of the business. They did not know what might be the effect of the Securities Act of 1933, particularly the liabilities involved in that act. And even today we don't know when we look at an income account of our company whether it is right, in view of those liabilities.

Mr. MILLER. That is all.

The CHAIRMAN. Are there any other questions?

Mr. Secretary Noble, do you care to ask any questions?

Mr. NOBLE. No; thank you.

The CHAIRMAN. Thank you very much, Mr. Ripley.

(Witness excused.)

The CHAIRMAN. You may call the witnesses if you wish.

Mr. NEHEMKIS. George Bovenizer, Henry S. Sturgis, Edward N. Jesup, and Charles Glore.

CHICAGO UNION STATION CO. FINANCING, 1915-36—SOURCES OF DOCUMENTS

The CHAIRMAN. Mr. Nehemkis, are you ready?

Mr. NEHEMKIS. May it please the committee; the testimony which you are to hear this afternoon on the financing of the Chicago Union Station Co. begins with the year 1915, and concludes with the last financing for the Station Co. in 1936.

This study is being presented to you as an illustration of the part played in underwriting groups by what has come to be known in the banking business as the historical relation of a banking house to a

particular piece of financing and the proprietary rights which result therefrom. Now these proprietary rights, to which I have just referred, were affected in the case of certain of the participants by the passage of the Banking Act of 1933. In the course of the hearings we shall have an opportunity to see what happened to these proprietary rights.

Before we proceed with the facts of the case and the swearing in of the witnesses, I believe that a brief statement is in order concerning the documentary evidence to be presented.

The staff of the Investment Banking Study requested the permission of a number of investment banking houses to examine their files on the financing of the Chicago Union Station Co. In all cases this was freely granted, without the service of a subpoena. The majority of the documents which are to be offered in evidence were obtained in this manner.

We had, however, learned that the files of several companies had already been examined and copies of material obtained by the Railroad Finance Investigation conducted by a subcommittee of the Senate Committee on Interstate Commerce. For the record I might add that that investigation, to which I have just referred, was authorized by Senate Resolution No. 71, Seventy-fourth Congress, and that Senator Burton K. Wheeler was the chairman of the subcommittee.

The companies whose files the Railroad Finance Investigation had studied were: Kuhn, Loeb & Co., the Chicago, Milwaukee, St. Paul & Pacific Railroad Co., and the Pennsylvania Railroad Co.

We felt that it would save time and relieve these companies from a duplication of work if instead of asking them for leave to make transcripts from their files we first studied the material obtained by the Railroad Finance Investigation. Accordingly, we asked these companies to consent to our use of this material, and they have all complied with our request.

At an appropriate time I will offer in evidence, Mr. Chairman, the letters from these companies authorizing us to use the material previously made available to the Railroad Finance Committee, but I think you will want first to swear in the witnesses.

The CHAIRMAN. Do you and each of you solemnly swear that the testimony you are about to give in this proceeding shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. BOVENIZER. I do.

Mr. STURGIS. I do.

Mr. JESUP. I do.

Mr. GLORE. I do.

TESTIMONY OF GEORGE W. BOVENIZER, KUHN, LOEB & CO., NEW YORK, N. Y.; HENRY S. STURGIS, VICE PRESIDENT, FIRST NATIONAL BANK OF NEW YORK, NEW YORK, N. Y.; EDWARD N. JESUP, VICE PRESIDENT, LEE HIGGINSON CORPORATION, NEW YORK, N. Y.; CHARLES F. GLORE, GLORE, FORGAN & CO., CHICAGO, ILL.

The CHAIRMAN. Please be seated, gentlemen.

Mr. NEHEMKIS. I might add, Mr. Chairman, and gentlemen of the committee, that no other examination was made of the files of these

companies on the financing of the Station Co. other than an examination of the files of the Milwaukee Railroad. It will therefore be understood that when copies of material from the files of these three companies are offered for the record they were obtained in the manner I have just described.

I offer in evidence, if you please, the letters from the companies authorizing us to make use of the data in the files of the Railroad Finance Investigation Committee.

Mr. AVILDSSEN. Which are these three companies?

Mr. NEHEMKIS. Kuhn, Loeb & Co.; the Chicago, Milwaukee, St. Paul & Pacific Railroad Co.; and the Pennsylvania Railroad Co.

The CHAIRMAN. There has been presented to the chairman for admission to the record the following letters: One from the Chicago, Milwaukee, St. Paul & Pacific Railroad Co., dated November 15, 1939, and signed by H. A. Scandrett. Without objection, it may be admitted to the record. Attached to this is a carbon copy of what purports to be a letter from Mr. H. A. Scandrett, to the Senate Committee on Interstate Commerce, dated November 16, 1939. Do you desire that to be printed in the record?

Mr. NEHEMKIS. I do, sir.

The CHAIRMAN. Both of these letters may be admitted to the record.

There is then what purports to be a copy of a letter from Kuhn, Loeb & Co., addressed to the United States Senate Committee on Interstate Commerce, dated November 13, 1939. Mr. Nehemkis says that the original of this will be offered to the committee at the earliest opportunity.¹ With that understanding it may be admitted to the record.

The next is a purported copy of a letter of November 24, 1939, of the Pennsylvania Railroad Co., signed by George H. Pabst, Jr., assistant vice president. And this is certified as having been received by the S. E. C. Without objection, it may also be printed in the record.

(The letters referred to were marked "Exhibits Nos. 1538-1 to 1538-3" and are included in the appendix on pp. 11614 and 11615.)

The CHAIRMAN. Now, there are three other copies of letters. One is a copy of a letter dated November 10, 1939, addressed to Kuhn, Loeb & Co., by Peter R. Nehemkis, Jr., special counsel for the investment section of this monopoly study. A letter of Mr. Nehemkis, dated November 10, 1939, to the Chicago, Milwaukee, St. Paul & Pacific Railroad Co., and one below them, dated November 10, to the Pennsylvania Railroad Co. All of these may be printed in the record.

(The letters referred to were marked "Exhibits Nos. 1539-1 to 1539-3" and are included in the appendix on pp. 11615-11617.)

IDENTIFICATION OF WITNESSES

Mr. NEHEMKIS. Mr. Bovenizer, will you state your full name and address?

Mr. BOVENIZER. George Wallace Bovenizer, Irving-on-the-Hudson, N. Y.

Mr. NEHEMKIS. Are you a partner of the firm of Kuhn, Loeb &

Mr. BOVENIZER. I am.

¹ See, *infra*, p. 11479.

Mr. NEHEMKIS. And for how many years have you been a partner?

Mr. BOVENIZER. Since January 1, 1929.

Mr. NEHEMKIS. Mr. Glore, will you state your full name?

Mr. GLORE. Charles F. Glore, Lake Forest, Ill.

Mr. NEHEMKIS. And are you a partner of the investment banking house of Glore, Forgan & Co.?

Mr. GLORE. Yes.

Mr. NEHEMKIS. And where is Glore, Forgan & Co. located?

Mr. GLORE. In New York and Chicago.

Mr. NEHEMKIS. Mr. Bovenizer, are you not a director of the Penn-road Corporation?

Mr. BOVENIZER. I am.

Mr. NEHEMKIS. And Mr. Glore, are you a director of Adams Oil & Gas Co.?

Mr. GLORE. I am.

Mr. NEHEMKIS. Of American Brake Shoe & Foundry Co.?

Mr. GLORE. I am not.

Mr. NEHEMKIS. Are you a director of the Chicago, Burlington & Quincy Railroad?

Mr. GLORE. I am not.

Mr. NEHEMKIS. Are you a director of the Chicago Corporation?

Mr. GLORE. I am.

Mr. NEHEMKIS. Are you a director of the Continental Casualty Co.?

Mr. GLORE. I am.

Mr. NEHEMKIS. Are you a director of Montgomery Ward & Co.?

Mr. GLORE. I am.

Mr. NEHEMKIS. And the Studebaker Corporation?

Mr. GLORE. I am.

Mr. NEHEMKIS. You just indicated you were not a director of the American Brake Shoe & Foundry Co. and Chicago, Burlington & Quincy. When did you cease being a director of those two companies?

Mr. GLORE. I am not sure, but probably 2 or 3 years ago—2 years ago.

Mr. NEHEMKIS. I think you had better advise Poor's Register of Directors and Executives that they have got you down as a director in those two companies.

Mr. Jesup, will you state your full name?

Mr. JESUP. Edward Nelson Jesup, Greenwich, Conn.

Mr. NEHEMKIS. And are you a partner of the investment banking house of Lee, Higginson & Co.?

Mr. JESUP. I am a vice president.

Mr. NEHEMKIS. How long have you held that office?

Mr. JESUP. Since June 1932.

Mr. NEHEMKIS. Mr. Sturgis, will you state your full name?

Mr. STURGIS. Henry S. Sturgis, Cedarhurst, Long Island.

Mr. NEHEMKIS. And what is your business?

Mr. STURGIS. I am vice president of the First National Bank of the City of New York.

Mr. NEHEMKIS. How long have you been an officer of that bank?

Mr. STURGIS. Since 1925.

Mr. NEHEMKIS. Are you a director, Mr. Sturgis, of J. I. Case Co.?

Mr. STURGIS. I am.

Mr. NEHEMKIS. And the Delaware, Lackawanna & Western Railroad Co.?

Mr. STURGIS. I am.

Mr. NEHEMKIS. Of General Mills, Inc.?

Mr. STURGIS. Yes.

Mr. NEHEMKIS. Hecker Products Corporation?

Mr. STURGIS. Yes.

Mr. NEHEMKIS. International Agricultural Corporation?

Mr. STURGIS. Yes.

Mr. NEHEMKIS. Junior Mercantile Co.?

Mr. STURGIS. That is a subsidiary of another; I am.

Mr. NEHEMKIS. New Jersey General Security Co.?

Mr. STURGIS. Yes.

Mr. NEHEMKIS. Of the Ohio River Co.?

Mr. STURGIS. That is another subsidiary company.

Mr. NEHEMKIS. Pullman Co.?

Mr. STURGIS. Yes.

Mr. NEHEMKIS. Pullman, Inc.?

Mr. STURGIS. Yes.

Mr. NEHEMKIS. And West Virginia Coal & Coke Corporation?

Mr. STURGIS. That is right.

Mr. NEHEMKIS. I shall endeavor to keep your faces before me. I am not familiar with you, so if I look at the wrong individual at the moment, you will forgive me. I will get to know you in a few minutes.

Mr. Bovenizer, when was the Chicago Union Station Co. organized?

OWNERSHIP OF CHICAGO UNION STATION CO.

Mr. BOVENIZER. I think it was in 1915. I am not sure of the date.

Mr. NEHEMKIS. And what is the purpose of the Chicago Union Station Co.; what does it operate?

Mr. BOVENIZER. Provides a terminal for certain railroads.

Mr. NEHEMKIS. Is it correct, Mr. Bovenizer, that the outstanding capital stock of the station is owned in equal shares by four railroads?

Mr. BOVENIZER. That is my understanding.

Mr. NEHEMKIS. And can you tell me the names?

Mr. BOVENIZER. Originally the Pennsylvania Co., the Panhandle, that is Pittsburgh, Cincinnati, Chicago & St. Louis; Chicago, Milwaukee & St. Paul; I think Chicago, Burlington & Quincy.

Mr. NEHEMKIS. Now, the Pittsburgh, Cincinnati, Chicago & St. Louis is over 99 percent owned by the Pennsylvania system, is it not?

Mr. BOVENIZER. I believe so.

Mr. NEHEMKIS. In other words, the Pennsylvania is half owner of the station?

Mr. BOVENIZER. Yes.

Mr. NEHEMKIS. And the St. Paul and Burlington are each owner of one-fourth?

Mr. BOVENIZER. That is right.

Mr. NEHEMKIS. The directors and principal officers of the Station Co. are directors and officers of these proprietary roads, are they not?

Mr. BOVENIZER. Usually; yes.

Mr. NEHEMKIS. Kuhn, Loeb & Co., I believe, have been bankers for the Pennsylvania and St. Paul for many years, have they not?
Mr. BOVENIZER. Over 50 years.

AGREEMENTS AMONG INVESTMENT BANKING HOUSES ON PARTICIPATIONS
IN CHICAGO UNION STATION CO. FINANCING

Mr. NEHEMKIS. Now, in May of 1912, did not Kuhn, Loeb & Co come to a tentative agreement with Lee, Higginson & Co. with respect to the financing of the Chicago Union Terminal Co., whereby Kuhn Loeb & Co. and Lee, Higginson & Co. were each to have a one-half interest in the business?

Mr. BOVENIZER. That is the groups.

Mr. NEHEMKIS. The groups respectively which bought those?

Mr. BOVENIZER. Yes.

Mr. NEHEMKIS. Mr. Chairman, I introduce a letter of F. L. Higginson, Jr., to Mortimer L. Schiff, dated January 18, 1915, enclosing an unsigned copy of a telegram to Mr. C. H. Schweppe, dated May 17, 1912. Both of these documents were obtained in the manner which I described at the outset of these hearings.

Acting Chairman REECE. The document referred to may be admitted.

(The documents referred to were marked "Exhibit No. 1540" and are included in the appendix on p. 11617.)

Mr. NEHEMKIS. Mr. Chairman, may it please the committee, I offer in evidence a letter dated January 19, 1915, to Messrs. Kuhn, Loeb & Co., from Lee, Higginson & Co.

Acting Chairman REECE. It may be received.

(The letter referred to was marked "Exhibit No. 1541" and is included in the appendix on p. 11618.)

Mr. NEHEMKIS. I offer in evidence a letter from Kuhn, Loeb & Co. to Lee, Higginson & Co., dated January 20, 1915.

I likewise offer a memorandum by Mortimer L. Schiff, dated February 1, 1915, from which memorandum I should like to read.

Acting Chairman REECE. It may be admitted.

(The documents referred to were marked "Exhibits Nos. 1542 and 1543" and are included in the appendix on pp. 11618 and 11619.)

Mr. NEHEMKIS. The memorandum bears the heading [reading from "Exhibit No. 1543"]:

MEMORANDUM IN REGARD TO CHICAGO UNION STATION FINANCING. FEB. 1, 1915

I have agreed that this business, if it develops, is to be done joint Account between Lee, Higginson & Co. and ourselves, each having one-half. Lee, Higginson's group includes Morgans, the First National Bank of New York and the Illinois Trust and Savings Bank of Chicago.

In our group are included the National City Bank and Messrs. Clark, Dodge & Co. I have today agreed with McRoberts—

Do you by the way recall—

Mr. BOVENIZER (interposing). Samuel McRoberts, vice president of the National City Bank at that time.

Mr. NEHEMKIS (reading further):

I have today agreed with McRoberts that they are to have one-third interest and we two-thirds interest in our share, subject to such allotment on original terms as we may determine to make to Messrs. Clark, Dodge & Company.

(signed) Mortimer L. Schiff.

So prior to the actual financing of the Station Co., there had been previous discussion of how the Station Co. business was to be distributed?

Mr. BOVENIZER. Yes.

Mr. NEHEMKIS. I offer a memorandum by Mortimer L. Schiff, dated July 28, 1911. This is entitled "Chicago Terminal Bonds." I read from this memorandum [reading "Exhibit No. 1544"]:

Weld, of White Weld & Co., called on me to-day and stated that they were aware that a larger issue of bonds in the above connection would come sooner or later, and that they would like to have a position in such transaction when it came, as they believed they could be of material assistance in placing the bonds. I said to him that we had certain commitments in this business which would necessitate our consulting our associates in any further commitments we might make; that I thought it would be some time until this business would come to a head, and therefore it would be better not to take this up now, but that, as far as we were concerned, while we could not commit ourselves in any way, we would be pleased if it were found possible to take care of them in some way and avail of their selling organization. He said that it was perfectly satisfactory to them to leave it in this way, and that he would see us again when he returned, in five or six weeks, from his vacation, for which he leaves this evening.

Initialed M. L. S.

And those initials are of Mortimer L. Schiff, late partner of Kuhn, Loeb & Co.?

Mr. BOVENIZER. Yes.

Acting Chairman REECE. It may be admitted.

(The memorandum referred to was marked "Exhibit No. 1544" and appears in full on this page.)

Mr. NEHEMKIS. So 2 years before the Station Co. was organized, it would appear that Kuhn, Loeb & Co. had certain commitments in this business and had certain associates with whom it was necessary to consult with reference to any further commitments?

Mr. BOVENIZER. If the business materialized.

Mr. NEHEMKIS. Mr. Jesup, just as Kuhn, Loeb divided up its 50 percent interest among its friends, so, too, Lee, Higginson divided its 50 percent interest in the business among four houses; do you recall that?

Mr. JESUP. That is right, including Lee, Higginson.

Mr. NEHEMKIS. Now, including Lee, Higginson, what were the four houses?

Mr. JESUP. J. P. Morgan & Co., Continental, at that time the Illinois Merchants Trust, and the First National Bank of New York.

FIRST CHICAGO UNION STATION ISSUE—\$30,000,000 FIRST MORTGAGE 4½ PERCENT SERIES A BONDS, FEBRUARY 1916

Mr. NEHEMKIS. Now, the first piece of Chicago Union Station business, Mr. Bovenizer, was a \$30,000,000 first-mortgage, 4½-percent series A issue, which was offered on February 9, 1916; is that correct?

Mr. BOVENIZER. Yes; I have it February 8, but that is near enough.

Mr. NEHEMKIS. I am sorry, I didn't hear your answer.

Mr. BOVENIZER. That is correct.

Mr. NEHEMKIS. This issue was planned, I believe, in the middle of 1915, and the actual participants in the financing were agreed upon at a meeting held in June 1915, at the office of your firm?

Mr. BOVENIZER. I can't confirm those details. I have no doubt it is correct.

Mr. NEHEMKIS. But to the best of your recollection?

Mr. BOVENIZER. To the best of my recollection, yes.

Mr. NEHEMKIS. Mr. Chairman, I should like to offer in evidence a memorandum by Francis D. Bartow, dated June 16, 1915, from which I should like to read three paragraphs.

Before I proceed with the reading, I am going to ask you, Mr. Sturgis, to look at this memorandum and tell me whether you recognize this to be a copy which was prepared from an original in your files?

Mr. STURGIS. That is right.

Mr. NEHEMKIS. I offer the memorandum identified by Mr. Sturgis in evidence, and may I ask, am I correct that the initials "F. D. B." are Francis D. Bartow?

Mr. STURGIS. That is correct.

Mr. NEHEMKIS. Who was at that time associated with the bank?

Mr. STURGIS. He was at that time an officer of the bank.

Mr. NEHEMKIS. And what is Mr. Bartow's present business connection?

Mr. STURGIS. He is one of the partners of J. P. Morgan.

Acting Chairman REECE. It may be admitted.

(The memorandum referred to was marked "Exhibit No. 1545" and is included in the appendix on p. 11619.)

Mr. NEHEMKIS. I read from the memorandum identified by Mr. Sturgis [reading from "Exhibit No. 1545"]:

At 2 o'clock Mr. Hine attended a meeting at K L's and upon his return told me they had agreed to pay 93½, and offer the bonds for re-sale at 96½, which is about a 4.65% basis. However, Mr. Holden and his associates decided that they would prefer to get the consent of the Illinois Public Service Commission to a minimum price of 91, and then come back and deal firm with the Group. There was also a question of clearing up some small mortgages which are now a lien upon the property. This will be done before the present bonds can be sold. In their negotiations the Group did not come to the question of discussing prices with Mr. Holden and his associates. They, therefore, do not know of the determination reached to pay as high as 93½.

At the meeting in the morning the question was brought up of participants in the business and it was understood that there will be five signatories, made up as follows:

Kuhn, Loeb & Co.

Lee, Higginson & Co.

Illinois Trust & Savings Bank, Chicago

First National Bank, New York

National City Bank, New York

The issue to be approximately \$25,000,000, to be divided equally between

K L & Co.

Lee, H. & Co.

K L & Co. will take care of the National City Bank, L. H. & Co. will divide \$12,500,000 equally into four parts.

¼ Ill. Trust & Sav. Bk.

¼ J. P. M. & Co.

¼ First of New York

¼ Lee, H & Co.

I should like to offer in evidence a letter of Donald G. Geddes to Jerome J. Hanauer, dated February 8, 1916.

Mr. Bovenizer, wasn't Mr. Hanauer a former partner of the House of Kuhn, Loeb?

Mr. BOVENIZER. Yes.

Mr. NEHEMKIS. And he is now deceased?

Mr. BOVENIZER. That is correct.

Acting Chairman REECE. It may be admitted.

(The letter referred to was marked "Exhibit No. 1546" and appears in full on this page.)

Mr. NEHEMKIS. The letter is written on the stationery of Clark, Dodge & Co., 51 Wall Street, New York City [reading "Exhibit No. 1546"]:

PERSONAL,

February 8, 1916,

CHICAGO TERMINAL 4½% BOND SYNDICATE,

Jerome J. Hanauer, Esq.,

Messrs. Kuhn, Loeb & Co.,

New York, N. Y.

My dear Mr. H.:

Referring to our conversation in regard to Chicago Terminal 4½% bonds, I shall be very much disappointed if Clark, Dodge & Co., do not receive as a minimum in the above Syndicate, a participation of \$1,000,000 of bonds. As you know, this matter has dragged on for about three and a half years, and we have had a great deal of trouble in keeping ourselves informed fully as to what was going on. Considering these circumstances, I do not feel that we should be called upon to give up more than 50 percent of our participation in this business.

Very truly yours,

(Signed) DONALD G. GEDDES.

Do you recall the surrounding circumstances at that time, Mr. Bovenizer, in order to explain whether or not your firm had been having discussions with Clark, Dodge & Co. with regard to a give-up on the basis of their participation?

Mr. BOVENIZER. He is talking about a participation in the selling syndicate.

Mr. NEHEMKIS. So this letter refers to a selling group?

Mr. BOVENIZER. He wanted to be sure to get at least one million bonds for sale.

Mr. NEHEMKIS. I offer in evidence a letter of Kuhn, Loeb & Co. to Clark, Dodge & Co. and of Clark, Dodge & Co. to Kuhn, Loeb, dated February 9, 1916.

Acting Chairman REECE. It may be admitted.

(The letters referred to were marked "Exhibits Nos. 1547-1 and 1547-2" and are included in the appendix on p. 11620.)

Mr. NEHEMKIS. I should like to offer in evidence at this time a table prepared by the staff of the Investment Banking Section which shows the amounts in dollars and percentage participations of the \$30,000,000 First Mortgage Bonds, 4½ percent, Series A, to which reference has been made and which were offered in February 1916.

(The table referred to was marked "Exhibit No. 1548" and is included in the appendix on p. 11621.)

Mr. NEHEMKIS. I might add that the data on the table was taken from ledger transcripts, memoranda, and correspondence of the several houses who are represented by the witnesses here.

Mr. BOVENIZER. I know that the first part is all right. I don't know about the rest.

Mr. NEHEMKIS. Have you any corrections on the second part?

Mr. JESUP. No.

SUBSEQUENT ISSUES—1920 TO 1924

Mr. NEHEMKIS. Mr. Bovenizer, subsequent to February 1916, the company sold five bond issues up to and including November 1924; is that correct?

Mr. BOVENIZER. That is right.

Mr. NEHEMKIS. I would like to offer in evidence, Mr. Chairman, two letters by J. J. Turner, president of the Chicago Union Station Co., to the syndicate, dated April 27, 1920.

Acting Chairman REECE. They may be admitted.

(The letters referred to were marked "Exhibits Nos. 1549-1 and 1549-2" and are included in the appendix on pp. 11621 and 11622.)

Mr. NEHEMKIS. The first offering was \$10,000,000 of first-mortgage bonds, 6½ percent, series C, in April 1920; is that correct, Mr. Bovenizer?

Mr. BOVENIZER. I think so.

Mr. NEHEMKIS. Would you examine that table and tell me if it is your knowledge and belief that the dollar amounts and percentage participations were allocated in accordance with the figures there set forth?

(The table referred to was marked "Exhibit No. 1550" and is included in the appendix on p. 11623.)

Mr. BOVENIZER. The first part is right. Mr. Jesup will check the second.

Mr. JESUP. That is right.

Mr. NEHEMKIS (referring to "Exhibit No. 1550"). Now, on this offering, Kuhn, Loeb & Co., which, together with Lee, Higginson & Co., had a joint interest, divided up their interests as follows: Kuhn, Loeb took \$3,000,000, or 30 percent; the National City Co. took \$1,500,000, or 15 percent; Clark, Dodge & Co. took \$500,000, or 5 percent. I note, Mr. Bovenizer, that at this time the interest of the old National City Bank was now taken by the National City Co.?

Mr. BOVENIZER. Yes.

Mr. HENDERSON. Mr. Nehemkis, as an expert on witness's memories, it is very refreshing to have Mr. Bovenizer answer as he does, since we have had some witnesses who couldn't seem to remember. I would like to take the time to make the observation.

Mr. NEHEMKIS. Mr. Jesup, if I understand correctly, the Lee, Higginson 50-percent participation of \$5,000,000 was allocated as follows: Lee, Higginson took \$1,333,333, 13 percent of the issue; First National Bank took the same amount; J. P. Morgan & Co. took the same amount; and Illinois Trust & Savings Bank took \$1,000,000, or 10 percent.

Mr. JESUP. That is right.

Mr. NEHEMKIS. Now those percentage participations were identical with those received by these four houses in the previous issue.

Mr. JESUP. That is right.

Mr. NEHEMKIS. Mr. Bovenizer, in the issue that we are now discussing there were some variations as between the 1920 offering and the previous offering [referring to "Exhibits Nos. 1548 and 1550"]. In the previous offering KL received 28-percent participation, National City Co., 14-percent participation, and Clark, Dodge 6 percent. The 1920 offering had some slight variations, KL 30 percent, National

City 15, Clark, Dodge 5. Do you recall that to be substantially correct?

Mr. BOVENIZER. Yes; I think it is.

Mr. NEHEMKIS. I should like to offer in evidence a letter by J. J. Turner, president of the Chicago Union Station Co. to the syndicate, and the reply of Messrs. Kuhn, Loeb & Co., dated May 26, 1921.

(The letters referred to were marked "Exhibits Nos. 1551-1 and 1551-2" and are included in the appendix on pp. 11623 and 11624.)

Mr. NEHEMKIS. The next offering, I take it, Mr. Bovenizer, was \$6,000,000 first mortgage bonds 6½, series C, which were offered in May of 1921, and the syndicate there consisted of Kuhn, Loeb, National City taking part of the Kuhn, Loeb interest, and the percentage participations were respectively 33 and 16 [referring to "Exhibit No. 1552"]. Clark, Dodge had at this time dropped out, as I understand it, and the interest was divided up between KL and National City?

Mr. BOVENIZER. That is correct.

Mr. NEHEMKIS. Mr. Jesup, will you glance at the table Mr. Bovenizer is about to pass to you? I understand that Lee, Higginson's \$3,000,000 interest was divided up between the same groups as in the preceding issues: First National Bank, J. P. Morgan & Co., Illinois Trust & Savings Bank, and that the percentage participations of these houses, including your own, were the same as in the two preceding issues. Is that correct?

Mr. JESUP. That is correct.

(The table referred to was marked "Exhibit No. 1552" and is included in the appendix on p. 11624.)

Mr. NEHEMKIS. I offer in evidence the following letters, if the committee please: letters of Kuhn, Loeb & Co. to Lee, Higginson & Co. and P. V. Davis, vice president of the National City Co., and the replies to those letters dated May 27 and 31, during the year 1921.

(The letters referred to were marked "Exhibits Nos. 1553-1 to 1553-4" and are included in the appendix on pp. 11625 and 11626.)

Mr. NEHEMKIS. I believe the next offering, the next piece of financing, Mr. Bovenizer, was the \$6,150,000 first-mortgage bonds, and this was a private offering in May of 1922. Is that correct?

Mr. BOVENIZER. Yes.

Mr. NEHEMKIS. I offer in evidence a letter of J. J. Turner, president of the Chicago Union Station Co. to the syndicate and the reply dated May 23, 1922, Mr. Chairman.

(The letters referred to were marked "Exhibits Nos. 1554-1 and 1554-2" and are included in the appendix on pp. 11626 and 11627.)

Mr. NEHEMKIS. The percentage participations, Mr. Bovenizer, on the interest divided up by Kuhn, Loeb were exactly the same as in the preceding issue; in other words, KL took 33 percent, and National City took 16?

Mr. BOVENIZER. The percentage figures are right but the dollars are wrong.

Mr. NEHEMKIS. Would you be good enough to let me have the correct information?

Mr. BOVENIZER. Yes.¹

¹ Mr. Bovenizer subsequently agreed that the figures in "Exhibit No. 1555" were correct. See "Exhibit No. 1759-2," introduced on December 20, 1939, and appearing in appendix, p. 11798.

Mr. JESUP. This checks with the information I have.

Mr. NEHEMKIS. We can correct that at a little later time.

Acting Chairman REECE. The table may be admitted subject to correction of the figures.¹

(The table referred to was marked "Exhibit No. 1555" and is included in the appendix on p. 11627.)

Mr. NEHEMKIS. I offer in evidence a letter of Samuel Rea, president, Chicago Union Station Co., to the syndicate, and reply dated January 12, 1924.

Acting Chairman REECE. It may be admitted.

(The letters referred to were marked "Exhibit 1556-1 and 1556-2" and are included in the appendix on p. 11628.)

Mr. NEHEMKIS. In this syndicate, Mr. Bovenizer, the percentage participations of Kuhn, Loeb and National City continue to remain the same?

Mr. BOVENIZER. Right.

Mr. NEHEMKIS. If you will glance at that table, Mr. Jesup, and tell me whether to your knowledge and belief the percentage participations of the four houses therein listed were likewise the same?

Mr. JESUP. That is right.

Mr. NEHEMKIS. Wasn't there a new participant? Illinois Merchants Trust Co.? That is to say, the Illinois Merchants Trust Co. took over the share of the Illinois Trust & Savings Bank, as a result of a consolidation that took place at that time?

Mr. JESUP. That is right.

Mr. NEHEMKIS. Otherwise, the percentage participations are the same?

Mr. JESUP. Yes.

Acting Chairman REECE. It may be admitted.

(The table referred to was marked "Exhibit No. 1557" and is included in the appendix on p. 11629.)

Mr. NEHEMKIS. I think the next piece of financing, and the last of the five that I have mentioned at the outset, was a \$7,000,000 offering of 5 percent guaranteed gold bonds. These bonds were offered in November of 1924. Is that correct, sir?

Mr. BOVENIZER. Yes; there is also \$850,000 first mortgage bonds.

Mr. NEHEMKIS. I am going to refer to that in just a moment. I should like to offer, in this connection, a letter of Samuel Rea, president of the Chicago Union Station Co., to the syndicate, and reply, dated November 12 and 14, 1924.

Acting Chairman REECE. They may be admitted.

(The letters referred to were marked "Exhibits Nos. 1558-1 and 1558-2" and are included in the appendix on pp. 11629 and 11630.)

Mr. NEHEMKIS. In this issue I take it that the respective participations of Kuhn, Loeb & Co. and National City were still the same?

Mr. BOVENIZER. Yes.

Mr. NEHEMKIS. Mr. Jesup, would you tell me whether the percentage participations on the table which you have in your hand show any variation over those of the preceding four issues that we have discussed?

Mr. JESUP. They are the same.

¹ See footnote 1, opposite page.

Mr. NEHEMKIS. And the participants are the same?

Mr. JESUP. That is right.

Mr. NEHEMKIS. I offer this table in evidence, with one qualifying statement, that together with this issue that we have discussed, Mr. Chairman, there was also purchased and sold \$850,000 first mortgage 4½ percent bonds, series A, dated January 1, 1916, and due July 1, 1963.

Correct, Mr. Bovenizer?

Mr. BOVENIZER. Yes.

(The table referred to was marked "Exhibit No. 1559" and is included in the appendix on p. 11630.)

Mr. NEHEMKIS. Mr. Chairman, I should like to offer in evidence a table showing the percentage of interests of the investment banking houses in the security issues of the Chicago Union Station Co., 1916-24. The committee is already familiar with the names of these participants. May I draw your attention to certain essential facts about those percentage participations? During this entire period of time there appears to be no variation in the percentage participation of Lee, Higginson & Co., First National Bank of New York, J. P. Morgan & Co., Illinois Trust & Savings Bank. Mr. Jesup, do you accept my statement as being correct and accurate?

EXHIBIT No. 1560

[Prepared by the staff of the Investment Banking Section, Monopoly Study, Securities and Exchange Commission]

Chicago Union Station Co.—Percentage of interests of investment banking houses in security issues of the Chicago Union Station Co., 1916-1924

[Summary of "Exhibits Nos. 1548, 1550, 1552, 1555, 1557 and 1559"]

	Kuhn, Loeb & Co.	National City Bank	Clark, Dodge & Co.	Lee Hig- ginson & Co.	First National Bank of New York	J. P. Mor- gan & Co.	Illinois Trust & Savings Bank
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
\$30,000,000 4½% "A" Due 1963, Offered Feb., 1916.	Percent 28.88	Percent 14.44	Percent 6.67	Percent 13.33	Percent 13.33	Percent 13.33	Percent 10.00
\$10,000,000 6½% "C" Due 1963 Offered April, 1920.	30.00	1 15.00	5.00	13.33	13.33	13.33	10.00
\$6,000,000 6½% "C" Due 1963, Offered May, 1921.	33.33	1 16.67	-----	13.33	13.33	13.33	10.00
\$6,150,000 5% "B" Due 1963, Offered May, 1922.	33.33	1 16.67	-----	13.33	13.33	13.33	10.00
\$7,000,000 5% "B" Due 1963, Offered Jan., 1924.	33.33	1 16.67	-----	13.33	13.33	13.33	1 10.00
\$7,000,000 5% Guaranteed Due 1944, Offered Nov., 1924.	33.33	1 16.67	-----	13.33	13.33	13.33	1 10.00

¹ National City Company.

¹ Illinois Merchants Trust Company.

NOTE.—Kuhn, Loeb & Co. and Lee Higginson & Co. each had an interest of 50% in the security issues of the company, which they distributed to themselves and their associates in the proportions indicated here. The associates of Kuhn, Loeb & Co. were The National City Bank and later the National City Company, and Clark, Dodge & Co. The associates of Lee Higginson & Co. were the First National Bank of New York, J. P. Morgan & Co., with a non-appearing interest, and the Illinois Trust & Savings Bank, later Illinois Merchants Trust Co.

Mr. JESUP. That is correct.

Mr. NEHEMKIS. And I note, Mr. Bovenizer, that with the exception of the first two offerings there are no percentage variations of Kuhn, Loeb and National City for the third, fourth, fifth, and sixth offerings;

they remain the same. Do you accept my statement as being correct and accurate?

Mr. BOVENIZER. Yes.

Acting CHAIRMAN REECE. It may be admitted.

(The table referred to was marked "Exhibit No. 1560" and appears in full on the opposite page.)

Mr. NEHEMKIS. At this point may I call two members of my staff, Mr. Whitehead and Mr. Huff. Will you both step forward and allow the chairman to give you the oath?

Acting CHAIRMAN REECE. Mr. Huff was sworn.

Mr. Whitehead, do you solemnly swear that the testimony you are about to give in this procedure shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. WHITEHEAD. Yes.

**TESTIMONY OF W. S. WHITEHEAD, SECURITY ANALYST, AND
CHARLES H. HUFF, ASSOCIATE UTILITIES FINANCIAL ANALYST,
SECURITIES AND EXCHANGE COMMISSION, WASHINGTON, D. C.**

Mr. NEHEMKIS. Mr. Whitehead, as a member of the staff of the Securities and Exchange Commission, have you had occasion to examine the files of Lee Higginson Corporation?

Mr. WHITEHEAD. I have.

Mr. NEHEMKIS. I show you a file of documents which purport to have been obtained from that company, and I ask you to identify them and tell me whether you obtained them from the files of that company.

Mr. WHITEHEAD. These were obtained from the files of Lee Higginson Corporation of New York City.

Mr. NEHEMKIS. I ask that the documents just identified be received in evidence.

(The documents referred to were marked "Exhibit No. 1561." The documents were subsequently offered individually, each one receiving a new exhibit number.)

Mr. NEHEMKIS. Mr. Huff, I show you a file of documents coming from the firm of Harriman Ripley & Co., Incorporated, with reference to Chicago Union Station Co. I ask you to examine this file and tell me whether you obtained these documents from the files of Harriman Ripley & Co.

Mr. HUFF. These are documents that I obtained from the files of Harriman Ripley & Co., Incorporated.

Mr. NEHEMKIS. I ask that the file identified be received in evidence.

(The file of documents referred to was marked "Exhibit No. 1562." The documents were subsequently offered individually, each one receiving a new exhibit number.)

(Mr. Avildsen assumed the Chair.)

Mr. NEHEMKIS. I show you a file of documents purporting to come from the firm of Smith, Barney & Co. with reference to the Chicago Union Station Co. I ask you to examine this file and tell me whether or not you obtained these documents from the files of that company.

Mr. HUFF. Yes; I obtained these from the files of Smith, Barney & Co.

Mr. NEHEMKIS. If it please the committee, I ask that these documents just identified be received in evidence.

Acting Chairman AVILDSSEN. They may be received.

(The file of documents referred to was marked "Exhibit No. 1563." The documents were subsequently offered individually, each one receiving a new exhibit number.)

Mr. NEHEMKIS. I show you a file purporting to come from The First Boston Corporation containing documents with reference to the Chicago Union Station Co. I ask you to examine this file and tell me whether you obtained these documents from The First Boston Corporation.

Mr. HUFF. I obtained these from the files of The First Boston Corporation.

Mr. NEHEMKIS. May it please the committee, these documents are submitted to the record.

Acting Chairman AVILDSSEN. They may be received.

(The file of documents referred to was marked "Exhibit No. 1564." The documents were subsequently offered individually, each one receiving a new exhibit number.)

THE 1935 REFUNDING—EFFECTS OF THE BANKING ACT OF 1933

Mr. NEHEMKIS. Mr. Bovenizer, during the summer of 1934, was there not presented the question of a refunding issue for Station bonds?

Mr. BOVENIZER. Yes.

Mr. NEHEMKIS. Your firm presented it?

Mr. BOVENIZER. With Lee Higginson.

Mr. NEHEMKIS. Besides the guaranteed bonds I understand there were also outstanding about the middle of 1934 the following first mortgage issues of the Station Co.: \$30,850,000 series A 4½ percent; \$13,150,000 series B 5 percent; \$16,000,000 series C 6½ percent. Is that correct?

Mr. BOVENIZER. I have no figures here, but I am quite sure that is right.

Mr. NEHEMKIS. The former group of underwriters, however, at this time was no longer intact?

Mr. BOVENIZER. Yes; so far as we were concerned the National City Co. had gone out of business.

Mr. NEHEMKIS. What had happened to break up the old group?

Mr. BOVENIZER. The National City Co. had gone out of business because of the act which had passed. We had taken Brown Harri-man in in their place.

Mr. NEHEMKIS. Weren't there also some other changes? What had happened, Mr. Jesup, to the Chicago bank? They were likewise out of the group?

Mr. JESUP. That is right.

Mr. NEHEMKIS. And that was due to the enactment of the Banking Act?

Mr. JESUP. That is correct.

Mr. NEHEMKIS. Mr. Jesup, J. P. Morgan & Co. likewise was affected by the passage of the Banking Act?

Mr. JESUP. That is right.

Mr. NEHEMKIS. At this time, Mr. Bovenizer, did not Mr. Sparrow, vice president of the Station Co., discuss the refunding with Mr. Davis, formerly of the National City Co., and now with Brown Harriman, as well as with yourself?

Mr. BOVENIZER. Yes; he did.

Mr. NEHEMKIS. I offer in evidence, Mr. Chairman, a copy of a letter from the files of Kuhn, Loeb & Co. with reference to the subject matter. That is a letter obtained in the manner which I described at the outset of these hearings, so it requires no identification, but I would like Mr. Bovenizer to be familiar with it before I discuss it.

Mr. BOVENIZER. All right, Mr. Nehemkis.

Mr. NEHEMKIS. You have examined it?

Mr. BOVENIZER. Yes.

Mr. NEHEMKIS. I offer it in evidence.

(The letter referred to was marked "Exhibit No. 1565" and is included in the appendix on p. 11631.)

Mr. NEHEMKIS. I should like to read from that letter, Mr. Chairman. This is a letter from W. W. K. Sparrow, vice president and comptroller of the Station Co., to W. W. Atterbury, president of the Station Co. [reading from "Exhibit No. 1565"]:

I have had some discussion with Mr. Newcomet of your company and have also had some correspondence with Mr. Pierpont V. Davis, vice president, Brown Harriman & Co. Incorporated, (formerly National City Company), and Mr. Geo. W. Bovenizer, of Kuhn, Loeb & Co., New York, concerning the possibility of refinancing series "C" 6½ percent issue on a better basis.

Mr. HENDERSON. Was there a mistake there? That says Brown Harriman Co., formerly National City Co.?

Mr. NEHEMKIS. That is right.

Mr. HENDERSON. Was that in the letter?

Mr. NEHEMKIS. I am reading exactly from the letter. I am afraid I don't understand your question, Mr. Commissioner. Will you repeat it?

Mr. HENDERSON. I wanted to make sure. I didn't understand that Brown Harriman was a—

Mr. NEHEMKIS (interposing). I will read it again, sir. It says here [reading from "Exhibit No. 1565"]:

I have had some discussion with Mr. Newcomet of your company and have also had some correspondence with Mr. Pierpont V. Davis, vice president, Brown Harriman & Co. Incorporated, (formerly National City Company), and Mr. Geo. W. Bovenizer, of Kuhn, Loeb & Co., New York, concerning the possibility of refinancing series "C" 6½ percent issue on a better basis.

When in New York yesterday I discussed this quite fully with Mr. Bovenizer and Mr. Davis.

Do you recall, Mr. Bovenizer, whether Mr. County had any objection to bringing in the firm of Brown Harriman & Co. through consultation with Pierpont Davis?

Mr. BOVENIZER. Not that I know of.

Mr. NEHEMKIS. I offer in evidence, Mr. Chairman, a letter dated August 6, 1934, from A. J. County to W. W. K. Sparrow, vice president and comptroller of the Chicago Union Station Co. This letter has been obtained in the fashion which I described at the outset of the hearings.

Acting Chairman AVILDSSEN. To be printed?

Mr. NEHEMKIS. Printed, if you please, sir.

(The letter referred to was marked "Exhibit No. 1566" and is included in the appendix on p. 11632.)

THE SELECTION OF UNDERWRITING ASSOCIATES

Mr. NEHEMKIS. I would like to read one paragraph from that letter [reading from "Exhibit No. 1566"]:

I note that you are interviewing Mr. Davis, of Brown Harriman & Co.—

Mr. County writes to Mr. Sparrow—

as well as Mr. Bovenizer. I am not sure that Brown Harriman & Co. participated in the previous bond issue. If not, I assume that it would not be necessary to bring them in now, although they are a very high class firm and Mr. Pierpont V. Davis is a good adviser.

I take it, Mr. Bovenizer, that Mr. County meant that the Pennsylvania was not under any moral obligation or commitment to include Brown Harriman in the underwriting group since Brown Harriman had not been a member of the previous group. Is that correct?

Mr. BOVENIZER. That is his interpretation, but it was up to us to include them or not.

Mr. NEHEMKIS. And did you include them ?

Mr. BOVENIZER. Yes.

Mr. NEHEMKIS. And you recognized them as the successor to the National City Co.'s interest?

Mr. BOVENIZER. Yes, that they were the only successor at that time.

Mr. HENDERSON. May I ask a question, please?

Mr. NEHEMKIS. If you please, sir.

Mr. HENDERSON. Do I understand that it wasn't up to the Pennsylvania Railroad as to whether or not Brown Harriman was included?

Mr. BOVENIZER. It was up to us entirely.

Mr. HENDERSON. You already had the business.

Mr. BOVENIZER. No, but it was up to us to include Brown Harriman in it, as the successors of the National City Co., because all the principal officers at that time of the former National City Co. and a large part, I should say the better part, of the distributing organization had gone into this firm of Brown Harriman & Co., Incorporated.

Mr. HENDERSON. Suppose the Pennsylvania Railroad, which I understand has about 50 percent ownership of the terminal, had wanted some other firm instead of Brown Harriman?

Mr. BOVENIZER. We would have been delighted to consider that and probably would have followed their wishes.

Mr. O'CONNELL. I understood you to say it wasn't up to them?

Mr. BOVENIZER. No, it was up to us to use the successor of the National City Co. That is what I meant by that statement, because they had been our associates, you understand, heretofore, the National City Co. had been chosen by us, one of our original group in this business, in 1912 or 1911, as the memorandum states.

Mr. O'CONNELL. By virtue of this long established custom, do I understand that your firm and Lee Higginson were entitled to the business and you also were entitled to decide who would participate?

Mr. BOVENIZER. That was based entirely upon the service rendered; so long as they wished to keep up the contact we were entitled to it and hoped to keep it up.

Mr. O'CONNELL. But you also indicate that the Pennsylvania Railroad or the Terminal Co. would not be in position to tell you who would participate.

Mr. BOVENIZER. Oh, yes. I think probably they would tell us, but the Pennsylvania Railroad Co., as I understand it, was perfectly willing to deal with us alone; it was up to us to choose our own associates, which we did.

Mr. O'CONNELL. But one statement that puzzled me was that you indicated it was entirely up to you.

Mr. BOVENIZER. I meant by that statement to choose the successor of the National City Co. for this particular group.

Mr. O'CONNELL. That is exactly it.

Acting Chairman AVILDSSEN. It was not up to you to choose the successor of the Illinois Merchants Co.?

Mr. BOVENIZER. No; that was up to Lee Higginson. We were doing this business on a joint group basis. Our original partner in the business was the National City Bank which became the National City Co., and later on in our eyes became Brown Harriman & Co.

Mr. NEHEMKIS. May I offer in evidence, Mr. Chairman, a letter from W. W. K. Sparrow to Mr. A. J. County and Mr. Bruce Scott, dated September 1, 1934. This letter was obtained in the fashion described at the outset of these hearings.

Acting Chairman AVILDSSEN. Without objection, it will be admitted.

(The letter referred to was marked "Exhibit No. 1567" and is included in the appendix on p. 11632.)

Mr. NEHEMKIS. At this time, Mr. Bovenizer, did you not discuss the possible refunding with Mr. Jesup?

Mr. BOVENIZER. Yes.

Mr. NEHEMKIS. And, Mr. Jesup, did you have occasion to discuss the possible refunding with Mr. Sturgis?

Mr. JESUP. Yes.

Mr. NEHEMKIS. Mr. Sturgis, I show you a memorandum dated August 29, 1934, and ask you to tell me whether that memorandum was not dictated by you.

Mr. STURGIS. That is part of a series of memoranda. That is one; yes.

Mr. NEHEMKIS. Is the memorandum which you have in your hand one which was dictated by you on the date there designated?

Mr. STURGIS. That is correct.

Mr. NEHEMKIS. Mr. Chairman, may it please the committee, I offer in evidence the memorandum identified by the witness.

Acting Chairman AVILDSSEN. It may be received.

(The memorandum referred to was marked "Exhibit No. 1568" and appears in full in the text.)

TEMPORARY PLACING OF FIRST NATIONAL BANK'S UNDERWRITING INTEREST

Mr. NEHEMKIS. I should like, if I may, to read to you from that memorandum prepared by Mr. H. S. Sturgis, dated August 29, 1934 [reading "Exhibit No. 1568"]:

Mr. Jessup of Lee, Higginson & Co. called with reference to the possibility of a refunding issue by the Chicago Union Station Company. He stated that he had discussed the matter with Mr. Bovenizer of Kuhn, Leeb & Co. and that

while there were a number of "ifs" in regard to the business there was a possibility that an issue would come along perhaps in October. The purpose of his call was to tell us that when the business materialized he would inform us and would then ask us to designate some one to take our place in the business with the idea that we were not permanently out of the underwriting business and would probably wish to have Lee, Higginson place our share on a purely temporary basis where we would be sure to have it back when, as and if the Banking Act is changed so as to permit us to underwrite.

I thanked him very much for his information and told him that I was sure that everyone had expected that Lee, Higginson would take this attitude, and that in spite of expecting it all of us would be most pleased to know that that is their attitude.

Now, Mr. Jesup, upon what did you predicate your opinion that the First National Bank was not permanently out of the underwriting business? I might just say that the memorandum reporting your conversation is dated August 29, 1934.

Mr. JESUP. I had been led to believe that Mr. Sturgis and some of his associates had been working on the theory that there might possibly be a change in the act and they could build up some optimism in regard to that, and I think that is the reason for that statement.

Mr. NEHEMKIS. In anticipation of the possible revision of the Banking Act of 1933, you called upon Mr. Sturgis, who was then representing the First National Bank, to request him to designate someone who might serve, shall I say, as a temporary custodian of the interest in this financing of the First National Bank of New York. Is that correct, sir?

Mr. JESUP. Well, I don't believe that that was the phraseology I used. I told him that we had two or three ideas ourselves, but if he had any suggestions, we would be very glad to give them consideration. I think that is the phraseology I used.

Mr. NEHEMKIS. Is that your recollection of the conversation, Mr. Sturgis?

Mr. STURGIS. That is approximately my recollection, that we were no longer in the business, that there was still some hope, let us say, that that was not a permanent situation. We had served this company for many years, and if the banks were again permitted to underwrite, that we would have an opportunity to get back. On the other hand, the people designated were far from just custodians. They were good, sound houses who properly could be included in that business.

Mr. NEHEMKIS. But you indicated in connection with the visit of Mr. Jesup that you were not relinquishing your rights to this financing, you were merely designating other houses or you would designate other houses who would have perhaps the opportunity of occupying your own position in the group. Is that correct?

Mr. STURGIS. Well, I would phrase it somewhat differently.

Mr. NEHEMKIS. You phrase it to me and let me have your version.

Mr. STURGIS. In the first place, the people who designate who shall have the business are obviously the corporation putting out the issue, and it can designate Kuhn, Loeb & Co. with all of it, or rather Kuhn, Loeb with half of it, or Lee Higginson with half of it—that is their business. These are big issues and Lee Higginson, I gather, wanted to diversify their risk or reduce the amount of the risk and they asked partners into that business. We apparently were good

partners for Lee Higginson for many years, and they kept us on as such in their business.

Mr. NEHEMKIS. Since 1911.

Mr. STURGIS. They could put us out at any time they wanted to. But when he was kind enough—and let me make this plain, that we were in many pieces of business, and this is the only one where we have ever been asked to designate a successor. So if you are trying to prove a proprietary interest, you are taking the one instance, as far as we are concerned, that is in the records. There is no other.

Mr. NEHEMKIS. The subject matter of discussion before this committee this afternoon, Mr. Sturgis, is the financing of the Chicago Union Station Co.

Mr. STURGIS. Yes, but you introduced this with the statement you were going to show a proprietary interest of the people in this.

Mr. NEHEMKIS. These hearings will continue at the pleasure of the committee for 2 more weeks. We shall have occasion to discuss this problem in much more detail.

Mr. STURGIS. I am trying to answer your question but I am trying to put my point clearly. Lee Higginson invited us to be partners. They did in 1934 invite us to say who might take our places. It was a very nice thing for them to do, we appreciate it and we took advantage of it.

Mr. NEHEMKIS. At this time, Mr. Jesup, did you have occasion, in view of this realignment that was taking place as the result of the impact of the Banking Act, to discuss the problem of the new members of the group with the Station Co.?

Mr. JESUP. No; not as far as I know.

Mr. NEHEMKIS. Mr. Bovenizer, what is your recollection as to whether you or other members of your partners discussed bringing in new members of the group with the company?

Mr. BOVENIZER. My recollection is it was not discussed with the company.

Mr. NEHEMKIS. In other words, you felt this was a matter for the syndicate, your people could handle it?

Mr. BOVENIZER. So far as the company was concerned, Kuhn, Loeb and Lee Higginson were doing the business.

Mr. NEHEMKIS. And they would have implicit confidence in any selections you would make.

Mr. BOVENIZER. Yes.

EFFORTS OF EDWARD B. SMITH & CO. TO OBTAIN A PARTICIPATION IN THE
1935 ISSUE

Mr. NEHEMKIS. As the result of this realignment that was taking place as the result of the Banking Act, Mr. Bovenizer, certain banking houses were attempting to obtain a place in the business, notably E. B. Smith & Co., (Smith, Barney & Co.); is that correct?

Mr. BOVENIZER. I don't remember them coming to me. The only ones that came to me were Mr. Glore here who thought he ought to get the place of one of the Chicago participants and I referred him to Mr. Jesup.

Mr. NEHEMKIS. We will come to that in a moment.

Mr. Chairman, may I offer in evidence a document identified previously as coming from the files of Smith, Barney & Co.

Acting Chairman AVILDSSEN. Without objection, it may be admitted.

(The document referred to was marked "Exhibit No. 1569" and is included in the appendix on p. 11633.)

Mr. NEHEMKIS. And may I read to you certain diary entries in the document which has just been admitted. The first diary entry is by JWC, John W. Cutler, partner of the firm of Smith, Barney & Co., and it is dated September 5, 1934, and reads as follows [reading from "Exhibit No. 1569"]:

JRS—

the initials are Joseph R. Swan—

or JWC to speak to Bovenizer regarding possibility of refunding the 5s and 6½s, as per KW's memo.

KW is Karl Weisheit.

As per KW's memo of August 10th.

I want to read you another diary entry dated December 7, 1934 [reading further]:

RC Jr.—

that is R. Cheston—

and I—

John W. Cutler—

spoke to George Bovenizer today when he was in the office for Chesapeake syndicate meeting. He said they had had the thing set up for several months and had hoped to do it in October but did not go ahead then on account of St. Paul situation. They are considering refunding only the 6½s (\$18,000,000, I think). Will probably take it up again in February. Might be well to say something to County of P. R. R.—

Pennsylvania Railroad—

If opportunity presents. JPM&Co—

I think that represents J. P. Morgan & Co.—

Had interest in old account thru their connection with Burlington. Question whether or not we might see George Whitney about this.

May I read you another diary entry by Mr. Cutler bearing the date December 11, 1934 [reading further]:

Spoke to Mr. Whitney referencee Morgan's former interest in busness and he said that their position in the various accounts came from LH&Co—

Lee Higginson & Co.—

(Schweppe of that firm had been very active in the earlier negotiations). Therefore, anything he might do would have to be after talking with LH&Co. Question: Should we say anything to them directly?

May I read you another diary entry by John W. Cutler, dated December 14, 1934 [reading further]:

Talked with Bovenizer referencee my conversation with Whitney. He said he might be able to say something to Higginson in our behalf.

TRANSFER OF CONTINENTAL ILLINOIS BANK & TRUST CO.'S UNDERWRITING
INTEREST TO FIELD, GLORE & CO.

Mr. Bovenizer, do you recall whether the Continental Illinois Bank & Trust Co. asked your firm to transfer their interest in the Station Co. business to Field, Gloré & Co.?

Mr. BOVENIZER. I don't recall that.

Mr. NEHEMKIS. Mr. Gloré, at long last I come to you. Do you have any recollections on the subject?

Mr. GLORE. In connection with the Continental?

Mr. NEHEMKIS. Yes, do you recall any occasion wherein Continental requested Kuhn, Loeb to transfer their old interest in the Chicago group to your firm?

Mr. GLORE. Our files show that I wired our New York office, that one of their vice presidents had phoned Kuhn, Loeb & Co. saying that they had no objection to their interest being transferred to us.

Mr. NEHEMKIS. You have in your hands a letter, a photostatic copy of a letter, dated February 28, 1935, addressed to Mr. Ralph Budd, president, Chicago, Burlington & Quincy Railroad Co., 547 West Jackson Boulevard, Chicago, Ill. Do you recognize that photostatic copy as being a true and correct copy of an original letter in your files?

Mr. GLORE. I do.

Mr. NEHEMKIS. I would like, Mr. Chairman, to offer this letter just identified into evidence. And may I read from this. You will recall this is a letter from Mr. Gloré to Mr. Budd [reading from "Exhibit No. 1570"]:

DEAR MR. BUDD: Sometime ago I discussed with you briefly the possibility of calling the outstanding Chicago Union Station 6½'s, at that time asking if I could count on the Burlington's help to be included in this business if it were done. Your answer was that I could.

I later found that Mr. Sparrow was handling the matter and that it was being negotiated largely by the Pennsylvania with Kuhn Loeb. The old Union Station group was composed of Kuhn Loeb, Lee Higginson, National City Company, First National of New York, and the Continental Illinois Company. The latter three are now out of business, but Kuhn Loeb are recognizing Brown Harriman in the National City Company's place, inasmuch as practically the entire personnel of the National City Company are now associated with Brown Harriman.

I note, Mr. Bovenizer, that Mr. Gloré says Kuhn, Loeb are recognizing Brown Harriman in the National City Co.'s place, inasmuch as practically the entire personnel of the National City Co. are now associated with Brown Harriman. You have already testified that that was the case?

Mr. BOVENIZER. Yes, sir.

Mr. NEHEMKIS. Continuing with the letter, Mr. Chairman [reading further from "Exhibit No. 1570"]:

The Continental Illinois have advised Kuhn, Loeb that they would like to see their former interest in our hands and from conversations I have had with Kuhn, Loeb, there is no objection to our being included.

So that it would appear, Mr. Bovenizer, that Mr. Gloré did have conversations with you.

Mr. BOVENIZER. I said Mr. Gloré had conversations with me, and I referred him to Lee Higginson because it was out of their share this participation was to come.

Mr. NEHEMKIS. So that your memory is quite correct?

Mr. BOVENIZER. Yes; I had conversations with Mr. Glore.

Mr. HENDERSON. You couldn't remember the conversations?

Mr. GLORE. I probably did have them, though, I don't know.

Mr. NEHEMKIS. The Commissioner said he still thinks it is a good record, Mr. Bovenizer.

I take it as a fact, Mr. Glore, that you requested Mr. Budd to ask Mr. Sparrow to assist your firm in obtaining the participation of the business, and Mr. Budd carried out your request.

Mr. GLORE. Yes.

(The letter referred to was marked "Exhibit No. 1570" and is included in the appendix on p. 11634.)

Mr. NEHEMKIS. I show you a telegram, a photostatic copy of which you now have in your possession, with the initials, "C. F. G." to "J. R. F." dated March 5, 1935. C. F. G. are your own initials, and J. R. F. I take to be the initials of Mr. Forgan?

Mr. GLORE. That is right.

Mr. NEHEMKIS. Is that a true and correct copy of the original in your possession?

Mr. GLORE. Yes.

Mr. NEHEMKIS. Mr. Chairman, I offer in evidence the telegram just identified.

Acting Chairman AVILDSSEN. Without objection it may be admitted.

(The telegram referred to was marked "Exhibit No. 1571" and is included in the appendix on p. 11634.)

Mr. NEHEMKIS. Apparently, Mr. Glore, Mr. County was willing to support the Burlington's request. Is that correct as you recall the situation?

Mr. GLORE. That is right.

Mr. NEHEMKIS. Now I show you a telegram, of which you now have a photostatic copy, dated March 5, 1935, to C. F. G. from J. R. F., C. F. G. being yourself?

Mr. GLORE. Yes.

Mr. NEHEMKIS. And J. R. F. being your partner, J. Russel Forgan?

Mr. GLORE. That is correct.

Mr. NEHEMKIS. This telegram reads as follows:

Sargent reports—

Is that Fred W. Sargent, president of the Chicago & Northwestern?

Mr. GLORE. Fred—

Mr. NEHEMKIS. This is Fred Sargent?

Mr. GLORE. No.

Mr. NEHEMKIS. What Sargent is this?

Mr. GLORE. It is an employee of ours.

Mr. NEHEMKIS [reading "Exhibit No. 1572"]—

Sargent reports that County has told him he will put in a word with K. L. in support of Burlington's position in Union Station financing. Sargent thinks County has heard from Burlington. He states further that it is possible that the ICC will insist on public bidding for the bonds, although this is by no means assured.

Initialed J. R. F. to C. F. G.

(The telegram referred to was marked "Exhibit No. 1572" and appears in full above.)

Mr. Glore, do you recall whether Mr. Bryce, a vice president of the Continental Illinois Bank, also interceded in your behalf by advising

K. L. that the bank would like to have its interest taken up by your firm?

Mr. GLORE. He did.

Mr. NEHEMKIS. I show you a photostatic copy of a telegram, presumably sent by you to your partner, J. Russel Forgan, and ask you to tell me whether this is a true and correct copy of an original from your files.

Mr. GLORE. It is.

Mr. NEHEMKIS. I offer the telegram, dated March 5, 1935, from Charles F. Glore to J. Russel Forgan, just identified by the witness, and I should like to read the contents of that telegram [reading "Exhibit No. 1573"]:

"Bryce phoned Stuart"—That was Bryce of the Continental—"phoned Stuart"—that, presumably, is Percy Stewart, your syndicate manager.

Mr. BOVENIZER. Yes; but his name is spelled wrong.

Mr. NEHEMKIS. But it is Percy Stewart that is referred to [reading further]:

Bryce phoned Stuart in Bovenizer's office that Continental would like to have us have their interest in Union Station.

Initialed C. F. G., to J. R. F. I offer this in evidence.

(The telegram referred to was marked "Exhibit No. 1573" and appears in full above.)

Mr. NEHEMKIS. Mr. Glore, I take it that your firm was finally included in the underwriting group, its participation being generally considered as coming from the old interest of the Continental Illinois?

Mr. GLORE. That I don't know. It came from Lee Higginson.

Mr. NEHEMKIS. Mr. Glore, I show you a letter presumably written by yourself to your partner, J. Russel Forgan, dated March 11, 1935, and I ask you to tell me whether that photostat which you have in your hands is a true and correct copy of the original in your files in Chicago.

Mr. GLORE. It is.

Mr. NEHEMKIS. Is it a correct copy?

Mr. GLORE. It is; yes.

Mr. NEHEMKIS. Mr. Chairman, may I offer in evidence a letter dated March 11, 1935, from Mr. Glore to Mr. Forgan, which has just been identified?

Acting Chairman AVILDSSEN. Without objection, it may be admitted.

(The letter referred to was marked "Exhibit No. 1574" and is included in the appendix on p. 11449.)

Mr. NEHEMKIS. May I read from the letter? [Reading from "Exhibit No. 1574:"]

Refunding of Chicago Union Station 6½'s seems all set and new bonds will be offered very shortly.

Kuhn-Loeb and Lee-Higginson will head the business as in the past—Brown Harriman and ourselves will follow, and probably Smith and the First of Boston follow us. I don't know yet what our interest will be, nor do I particularly care. I am much more interested in the position.

By that you meant, did you not, your place in the advertising position?

Mr. GLORE. I meant it was a Chicago piece of business. and we were very glad to be included in it.

Mr. NEHEMKIS (reading further):

What I had not understood until recently is that the Chicago Union Station account is a consolidation of two groups that were working on the issue, Kuhn-Loeb and the National City being one, Lee Higginson being the other. Associated with Lee Higginson were the First National, Morgan—

I take it that reference to Morgan, Mr. Glore, is J. P. Morgan & Co.?

Mr. GLORE. Right.

Mr. NEHEMKIS (reading further):

Morgan with a silent interest, and the old Illinois Merchants Bank. Our interest will have to come out of the Lee Higginson participation, and we probably will be considered as taking the Old Continental interest.

That was your impression at the time?

Mr. GLORE. It must have been.

Mr. NEHEMKIS (reading further):

Apparently the First National and Morgan are the ones suggesting Smith and the First of Boston.

On what did you base that statement, Mr. Glore—"Apparently the First National and Morgan are the ones suggesting Smith and the First of Boston"?

Mr. GLORE. It may have been a guess, or it may have been something that somebody told me at that time.

Mr. NEHEMKIS. I offer in evidence Mr. Chairman, a letter of James Lee, assistant secretary, Lee Higginson Corporation, to Messrs. Field, Glore & Co., March 23, 1935. This I take it is the official letter, Mr. Jesup, which notified Field, Glore of its 10 percent share. Will you examine that document and tell me whether that is a true and correct copy of the original in the files of your firm?

Mr. JESUP. That is correct.

Mr. NEHEMKIS. Mr. Chairman, I offer the document in evidence.

Acting Chairman AVILDSSEN. Without objection, it may be admitted.

(The letter referred to was marked "Exhibit No. 1575" and is included in the appendix on p. 11635.)

Mr. NEHEMKIS. Now, Mr. Jesup, I believe at this time you again had occasion to talk with the people at the First National Bank to ask whether or not they would designate a successor for their underwriting interest. Do you recall that?

Mr. JESUP. That is in connection with the first issue?

Mr. NEHEMKIS. That is in connection with the first issue coming out.

Mr. JESUP. Well, I thought I answered that before.

Mr. NEHEMKIS. Perhaps Mr. Sturgis had better tell us.

Mr. STURGIS. Well, March 7, 1935, that has to do with the re-funding.

Mr. JESUP. It is the conversation in regard to the same issue.

Mr. NEHEMKIS. I show you a copy, bearing the initials L. F. H., of a memorandum dated March 7, 1935, obtained from the files of the First National Bank of New York, and ask you to examine this memorandum, Mr. Sturgis, and tell me whether or not you are familiar with the contents thereof.

Mr. STURGIS. That is right.

Mr. NEHEMKIS. Will you tell me whose initials are represented by L. F. H.?

Mr. STURGIS. Leverett F. Hooper, vice president of the bank.

Mr. NEHEMKIS. Vice president of the bank at the time of the writing of the memorandum?

Mr. STURGIS. That is right—no; I don't remember. He was made a vice president. He was either manager of the bond department or vice president; I don't remember on that date.

Mr. NEHEMKIS. Mr. Chairman, I offer in evidence the memorandum identified by Mr. Sturgis.

(The memorandum referred to was marked "Exhibit No. 1576" and is included in the appendix on p. 11636.)

Mr. NEHEMKIS. I should like to read from this memorandum, if you please [reading from "Exhibit No. 1576"]:

Mr. Jesup called today, saying that the Chicago Union Station Company was considering redeeming its \$16,000,000 First Mortgage 6½% bonds, Series "C" on July 1 by the issuance of a like amount of 3¾% or more probably 4% bonds. If this is done, the company expects to sell at the same time an issue of \$2,100,000 debentures. Mr. Jessup said that Field, Glore & Company had inherited the underwriting interest of the Illinois Merchants Trust Company.

Did you, Mr. Glore, correctly understand that to be the situation at the time?

Mr. GLORE. I beg your pardon?

Mr. NEHEMKIS. I was reading from a statement in Mr. Hooper's memorandum in which he says, "Mr. Jesup said that Field, Glore & Co. had inherited the underwriting interest of the Illinois Merchants Trust Co." I asked if that was your general recollection?

Mr. GLORE. At that time I didn't know where the interest came from.

Mr. NEHEMKIS. On what was your impression based, Mr. Jesup?

Mr. JESUP. I am not sure that I used that phraseology. We had had no conversation, as far as my partners in Chicago can recall, with the Continental Illinois Bank. I think, if my recollection is correct—and I get this recollection from one of my Chicago associates—it included Glore, Forgan very largely because of the fact that the request had been made by Mr. Budd, of the Burlington, to include it. I don't think that I carried any impression in the back of my mind that we had "inherited," if that is the phraseology used, the position of the Continental Illinois Bank.

(Discussion off the record.)

Mr. JESUP. Mr. Nehemkis, may I add to my statement? I don't believe that I carried any impression in the back of my mind that Field, Glore had inherited the position from the bank. There is nothing in our records which would indicate that. I considered that they were a member having the same interest that had formerly gone with the Continental Illinois Bank, and the main reason that exists in my mind for including Glore, Forgan is because of a request made upon us by Mr. Budd.

Mr. NEHEMKIS. And apparently, Mr. Leverett Hooper, a vice president in charge of the investment department of the First National Bank, must have misunderstood you, because he says very distinctly, "Mr. Jesup said that Field, Gore & Co. had inherited the underwriting interest of the Illinois Merchants Trust Co."

But to continue the reading of the letter, Mr. Hooper goes on to say [reading further from "Exhibit No. 1576"]:

J. P. Morgan had been asked if they cared to name an underwriting house to have their share, and decided not to do so.

Now, Mr. Jesup, with which partners of the firm of J. P. Morgan & Co. did you discuss this matter?

Mr. JESUP. I did not discuss it with any partner of J. P. Morgan & Co. One of my associates, I believe, took the matter up with J. P. Morgan & Co., and I don't know who the partner was that he did discuss it with.

Mr. NEHEMKIS. Can you tell me the name of your associate that had these discussions?

Mr. JESUP. I believe it was N. P. Hallowell.

Mr. NEHEMKIS. Would you be good enough, Mr. Jesup, to send me a letter which I may present to the committee from either you or Mr. Hallowell, telling me the name of the partner or partners of J. P. Morgan & Co. with whom Mr. Hallowell discussed this matter?

Mr. JESUP. Yes.

Mr. NEHEMKIS. You will do that?

Mr. JESUP. Yes.

Mr. NEHEMKIS. Thank you, sir.¹

As I understand the memorandum from which I am reading, J. P. Morgan & Co. authorized Lee Higginson to distribute its share as Lee Higginson saw fit.

Mr. JESUP. As I understand it, the conversations that took place—I get this from my associate. He asked the firm, or one of the partners of J. P. Morgan & Co., if they cared to suggest any underwriter or underwriters to take the place they had formerly had. They said no, they had no suggestions to make. We were entirely free to do whatever we wanted to.

Mr. NEHEMKIS. Are you familiar as a result of your discussions with Mr. Hallowell at the time, as to what reason J. P. Morgan & Co. advanced for not being willing to designate a successor to their proprietary interest in the business?

Mr. JESUP. I don't believe they gave any reasons at all. They just made a simple statement that they had no further interest in it.

FIRST NATIONAL BANK DESIGNATES EDWARD B. SMITH & CO., WHITE, WELD & CO., AND LAZARD FRÈRES & CO. TO RECEIVE ITS UNDERWRITING INTEREST

Mr. NEHEMKIS. Mr. Sturgis, in distributing the business to White, Weld, E. B. Smith, and Lazard Frères, the First National Bank did not relinquish its proprietary interest in the account. Is that correct?

Mr. STURGIS. I said before, we don't claim any proprietary interest. We designated and suggested these three names to Mr. Jesup. He was quite free to say "No" to any of the suggestions we made, and the people whom we had designated were quite free to take it, or say "Yes; we will take it, but we are going to hold on as long as we want."

Mr. NEHEMKIS. I want you to look at a memorandum obtained from the files of your bank, bearing date of March 13, 1935, with the initials L. F. H. You have the original. Is that a true and correct copy?

Mr. STURGIS. Well, I would like to look at it. Yes; that is correct.

Mr. NEHEMKIS. Mr. Chairman, I offer in evidence the memorandum just identified.

¹ Mr. Jesup subsequently submitted the information requested. See "Exhibit No. 1670," appendix, p. 11795.

Acting Chairman AVILDSSEN. Without objection, that may be admitted.

(The memorandum referred to was marked "Exhibit No. 1577" and is included in the appendix on p. 11636.)

Mr. NEHEMKIS. L. F. H., I take it, is Leverett F. Hooper, the writer of the previous memorandum?

Mr. STURGIS. That is correct.

Mr. NEHEMKIS (reading from "Exhibit No. 1577") :

Mr. Jesup telephoned me that while consummation of this business was at least ten days away and the price of the new bonds was as yet undetermined, they were now forming their group. Of our interest amounting $13\frac{1}{3}\%$, one-half or $6\frac{2}{3}\%$ of the business would be offered to E. B. Smith & Company, one-quarter of our interest or $3\frac{1}{3}\%$ of the business would be offered to White Weld, and one-quarter of our interest or $3\frac{1}{3}\%$ of the business would be offered to Lazard Freres. Accordingly, S. A. W.—

Who is S. A. W.?

Mr. STURGIS. Samuel A. Welldon.

Mr. NEHEMKIS. What is his position at the bank?

Mr. STURGIS. Vice president.

Mr. NEHEMKIS (reading further) :

Accordingly, S. A. W. telephoned John Cutler of E. B. Smith and I telephoned Alec White of White Weld and Jack Harrison (Stanley Russell away) of Lazard Freres that at our request the account would offer them the above interests in the business on original terms.

The account which is mentioned was on original terms?

Mr. STURGIS. That was meant.

Mr. NEHEMKIS. Is that the meaning of the term "account"? The original terms?

Mr. STURGIS. I don't know, I presume so.

Mr. NEHEMKIS (reading further) :

—that at our request the account would offer them the above interests in the business on original terms.

The account consisting of Kuhn, Loeb and Lee Higginson? I presume that is what you meant?

Mr. JESUP. Yes.

Mr. NEHEMKIS (reading further) :

E. B. Smith & Company will appear, White Weld and Lazard Freres will not. We added that we hoped that banks were not permanently out of the underwriting business and if and when we could legally do so, we would expect to recapture this business from them.

Now, you seem to be rather allergic, Mr. Sturgis, to the use of the words "proprietary interest." Would you mind explaining to me the distinction between recapture and any other thing that doesn't represent proprietary interest in your mind?

Mr. STURGIS. If you have a piece of business that you have had for many years, you certainly are going to do everything you can to retain it. Subject to the prior offering of these bonds by the Chicago Union Station to friends of ours, and subject to their still wanting us in the business, we hoped that we would again be back in it when we legally could be.

Mr. NEHEMKIS. Now, I may be mistaken about this and I am sure you will correct me, but this memorandum is written March 13, 1935, and as I recall from the testimony this morning, the Banking Act of 1933 became effective on June 16, 1934. Would you enlighten me,

Mr. Sturgis, as to what the First National Bank of New York was doing in the underwriting business, anyway?

Mr. STURGIS. We weren't in the underwriting business.

Mr. NEHEMKIS. You were, according to two memoranda introduced in evidence, parceling out underwriting participation in the Chicago Union Station Co. and designating the successors of your proprietary interest.

Mr. STURGIS. Do you call that being in the underwriting business?

Mr. NEHEMKIS. You explain it. I put the question to you.

Mr. STURGIS. I can assure you we got no fee for it, and I claim that if you are in the business you are going to be paid for it.

Mr. NEHEMKIS. I should like to offer in evidence, Mr. Chairman, a memorandum obtained from the files of Smith, Barney & Co. which has been previously identified by a member of my staff.

Acting Chairman AVILDSSEN. Is it dated?

Mr. NEHEMKIS. It is dated May 6, 1935, and signed "JWC" and I ask leave to read from this memorandum.

Acting Chairman AVILDSSEN. Without objection, it may be admitted.

(The memorandum referred to was marked "Exhibit No. 1578" and is included in the appendix on p. 11637.)

Mr. NEHEMKIS. There is a memorandum from J. W. Cutler, May 6, 1935 [reading from "Exhibit No. 1578"]:

CHICAGO UNION STATION

I confirmed with Mr. Welldon and Mr. Hooper of the First National Bank that they requested 6%% of their former interest in the business be allocated to us. I would like to make this a matter of record. I think you should add that they asked that they be allowed to consider taking this interest back should banks some time in the future be permitted to underwrite.

I ask leave to offer in evidence, Mr. Chairman, a memorandum obtained from the files of Smith, Barney & Co., and previously identified. This memorandum is dated March 22, 1935, and is signed by H. D. Moore.

Acting Chairman AVILDSSEN. Without objection, it may be admitted.

(The memorandum referred to was marked "Exhibit No. 1579" and is included in the appendix on p. 11637.)

Mr. NEHEMKIS. I should like, if I may, to read one paragraph of this memorandum, which is headed, "Purchase Group—For Record Only" [reading from "Exhibit No. 1579"]:

It was stated in the purchase group letter to us from Lee Higginson Corporation, dated March 23, 1935, that our interest in this business was not to constitute a precedent for future financing of this company. Also, it was Mr. Cutler's understanding with the First National Bank that the Bank should be allowed to consider taking this interest back some time in the future if banks were permitted to underwrite the issuance of securities again.

Now, Mr. Jesup, in the realignment of banking houses which was taking place at this time, The First Boston Corporation was also offered a participation by Lee Higginson, is that correct?

Mr. JESUP. That is correct.

Mr. NEHEMKIS. There has been, Mr. Chairman, previously identified a memorandum as coming from the files of The First Boston Corporation. I now offer in evidence the memorandum previously identified, dated March 18, 1935, and written by H. M. Addinsell.

Acting Chairman Avildsen. Without objection, it will be admitted. (The memorandum referred to was marked "Exhibit No. 1580" and is included in the appendix on p. 11638.)

Mr. NEHEMKIS. I should like, if I may, Mr. Chairman, to read the last paragraph of Mr. Addinsell's memorandum [reading from "Exhibit No. 1580"]:

While some of the old members of the syndicate have gone out of business and this is a realignment, this is an invitation to appear as a principal in a new piece of business that neither Harris Forbes nor First Boston appeared in in the past. Field Glore is injected on account of Mr. Charles Glore's being a director of the C. B. & Q.

Did Mr. Addinsell correctly understand the situation, Mr. Glore?

Mr. GLORE. I don't know.

Mr. NEHEMKIS. You don't care to comment, do you?

Mr. GLORE. I don't see how I could.

Mr. NEHEMKIS. Mr. Jesup, if I understand the situation correctly, First Boston obtained its 5 percent interest out of the old interest of J. P. Morgan & Co. which Lee, Higginson was authorized to distribute by J. P. Morgan & Co., is that correct?

Mr. JESUP. I would consider it came out of the general pot which we had to realloot, and whether it was to be considered coming out of J. P. Morgan's interest and Continental's or someone else's, I don't know. I don't carry any recollection about that at all. It came out of the general pot which we had to realloot.

QUESTION OF APPLICABILITY OF INTERLOCKING DIRECTORATE PROVISIONS
OF CLAYTON ACT AND TRANSPORTATION ACT OF 1920

Mr. NEHEMKIS. Mr. Glore, may I direct a question to you. If I recall correctly, I think the previous testimony shows that you had asked Mr. Budd, the president of the Burlington, to use his influence in obtaining a position in the underwriting group for Field, Glore & Co. I think that is correct, isn't it?

Mr. GLORE. That is right.

Mr. NEHEMKIS. At this time you were director, were you not, of the Chicago, Burlington & Quincy Railroad Co.?

Mr. GLORE. I was.

Mr. NEHEMKIS. And you were also a partner of the investment banking firm of Glore, Forgan & Co., then known as Field, Glore & Co.?

Mr. GLORE. That is right.

Mr. NEHEMKIS. Now, Mr. Bovenizer, Mr. Stewart of your firm was somewhat concerned at that time about Mr. Glore's dual position and drew Mr. Sparrow's attention to the matter. Do you recall that?

Mr. BOVENIZER. No; that I don't recall.

Mr. NEHEMKIS. Let me see if this refreshes your recollection.

Mr. BOVENIZER. Mr. Stewart is here if you would like to ask him.

Mr. NEHEMKIS. Let me put the question and see if you recall it. I show you a letter from Percy M. Stewart, to W. W. K. Sparrow, dated March 15, 1935. I ask you to read that letter. Glance quickly to the last paragraph. That contains the point I want your clarification on.

Mr. BOVENIZER. I think I was away at this time, Mr. Nehemkis. That is why he wrote the letter.

Mr. NEHEMKIS. You say Mr. Stewart is here. I call Mr. Stewart, Mr. Chairman.

Are you Mr. Percy Stewart? May the witness be sworn?

Acting Chairman AVILDSSEN. Do you solemnly swear the testimony you shall give in this proceeding shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. STEWART. I do.

TESTIMONY OF PERCY M. STEWART, KUHN, LOEB & CO., NEW YORK, N. Y.

Mr. NEHEMKIS. Since you will be but a moment, do you mind standing?

I ask you to look at that letter which purports to bear your signature, and tell me whether or not that is a correct copy of an original letter which you wrote on March 15, 1935, to Mr. W. W. K. Sparrow, vice president of the Chicago Union Station Co.

Mr. STEWART. Yes; it is correct.

Mr. NEHEMKIS. It is correct?

Mr. STEWART. Yes.

Mr. NEHEMKIS. That is all, Mr. Stewart, thank you very much.

Mr. Bovenizer, are you familiar with the subject matter of the last paragraph of the letter which you examined?

Mr. BOVENIZER. I am afraid I am not. I wasn't in the discussion at that time. I am quite sure I was away, otherwise Mr. Stewart wouldn't have written this letter to Mr. Sparrow. I would have.

Mr. NEHEMKIS. Mr. Chairman, I offer in evidence the letter just identified by Mr. Percy M. Stewart, Kuhn, Loeb & Co. This letter is dated March 15, 1935, and I have had it identified for the record by the person who sent it.

Acting Chairman AVILDSSEN. Without objection, it may be received.

(The letter referred to was marked "Exhibit No. 1581" and is included in the appendix on p. 11638.)

Mr. NEHEMKIS. May I read the last paragraph of Mr. Percy Stewart's letter [reading from "Exhibit No. 1581"]:

I want at this time to tell you that Messrs. Field, Glore & Co. will be associated with ourselves and the Lee Higginson Corporation on original terms in this financing. As you probably know, Mr. Glore is a director of the C. B. & Q. I suggest therefore that it might be well if you called that Railroad's attention to this so that they may determine for themselves whether, in view of this directorship, there is any danger that the sale of these bonds, guaranteed by the Burlington, will be in violation of the Clayton Act.

I should like at this time, Mr. Chairman, to introduce an extract of Section 20 of the Clayton Act and Section 20a of paragraph 12 of the Interstate Commerce Act of 1920.

Acting Chairman AVILDSSEN. Without objection, they may be admitted.

(The extracts referred to were marked "Exhibits Nos. 1582-1 and 1582-2" and are included in the appendix on p. 11639.)

Mr. NEHEMKIS. May I read to the committee the pertinent language of those two provisions. Section 20 of the Clayton Act provides that [reading from "Exhibit No. 1582-1"]:

No common carrier engaged in commerce shall have any dealings in securities * * * to the amount of more than \$50,000, in the aggregate, in any one year, with another corporation, firm, partnership, or association when the said

common carrier shall have upon its board of directors * * * any person * * * who has any substantial interest in such other corporation, firm, partnership, or association, unless and except such purchases shall be made from, or such dealings shall be with, the bidder whose bid is the most favorable to such common carrier, to be ascertained by competitive bidding under regulations to be prescribed by rule or otherwise by the Interstate Commerce Commission.

Section 20a (12) of the Interstate Commerce Act of 1920 makes it [reading from "Exhibit No. 1582-2"]:

unlawful for any officer or director of any carrier to receive for his own benefit, directly or indirectly, any money or thing of value in respect of the negotiation, hypothecation or sale of any securities issued or to be issued by such carrier.

Now Mr. Glore, may I direct a question to you, please? Did you have occasion to obtain an opinion of counsel whether or not your dual position as director of the Burlington and partner in the investment banking house of Field, Glore & Co. ran afoul of the Clayton Act?

Mr. GLORE. I did not. I remember the matter being up with the Burlington at the time this financing was done.

Mr. NEHEMKIS. Mr. Glore, I show you a letter addressed to me from you, dated November 17, 1939. I ask you if that is your signature and if that is a copy of a letter which you sent to me?

Mr. GLORE. It is.

Mr. NEHEMKIS. I offer this letter in evidence.

Acting Chairman AVILDSSEN. Without objection, it may be admitted.

(The letter referred to was marked "Exhibit No. 1583" and is included in the appendix on p. 11639.)

Mr. NEHEMKIS. Mr. Bovenizer, in response to Mr. Stewart's letter, Mr. Sparrow advised Kuhn, Loeb & Co. that Mr. Glore's dual position would not constitute a violation of the Clayton Act. Do you not recall that situation or those circumstances?

Mr. BOVENIZER. I do not.

Mr. NEHEMKIS. Mr. Stewart, I will have to call you back.

TESTIMONY OF PERCY M. STEWART, KUHN, LOEB & CO., NEW YORK CITY—Resumed

Mr. NEHEMKIS. Will you tell me if you recognize that wire from Sparrow to you dated March 20, 1935?

Mr. STEWART. Yes.

Mr. NEHEMKIS. That is a true and correct copy of an original in your possession?

Mr. STEWART. Yes.

Mr. NEHEMKIS. Mr. Chairman, I offer a telegram to Mr. Percy M. Stewart, Kuhn, Loeb & Co., from W. W. K. Sparrow, dated Chicago, March 20, 1935.

Acting Chairman AVILDSSEN. Without objection, it may be admitted.

(The telegram referred to was marked "Exhibit No. 1584" and appears in full in the text.)

Mr. NEHEMKIS. I should like, Mr. Chairman, if I may to read one sentence from that telegram. Perhaps I had better read the whole telegram [reading "Exhibit No. 1584"]:

Referring last paragraph your letter fifteenth (stop) General Counsel of Burlington advises in respect to that question it involves personal liability of Glore alone and could not in any way affect validity of bonds (stop) Under-

stand Mr. Glore's counsel satisfied he is not violating Clayton Act and he expects to participate.

Did Mr. Sparrow correctly understand you, Mr. Glore, and if he did, which version of that matter is correct, the one you previously said to be the case or the circumstances now set forth in Mr. Sparrow's wire?

Mr. GLORE. What did I previously say?

Mr. NEHEMKIS. I asked whether you had occasion to obtain an opinion of counsel about your dual position.

Mr. GLORE. In answer to your letter on that point, I consulted our files. I have nothing in our files on this subject. I remember the consideration so far as the Burlington was concerned and I have no recollection of ever having written to our attorney about the matter. Apparently from Mr. Sparrow's telegram or letter, I did at that time.

Mr. NEHEMKIS. Can you advise us as to which version is correct? Was Mr. Sparrow correct in his understanding, or was your previous statement correct? Which do you stand on?

Mr. GLORE. I have no recollection of having consulted our attorney about this matter.

Mr. NEHEMKIS. Were you in communication at that time, do you recall, Mr. Glore, with Mr. Sparrow?

Mr. GLORE. Yes.

Mr. NEHEMKIS. Now this telegram of Mr. Sparrow's was dated March 20, 1935, and I think it would be a correct inference that it must have been sent closely following his discussions, if any, with you.

Mr. GLORE. I am sure it was.

Mr. NEHEMKIS. Would you hazard the guess that your memory may have failed you on the circumstances at that time?

Mr. GLORE. I have no recollection of having discussed the matter with our attorney.

Mr. NEHEMKIS. Very well, sir.

Mr. Chairman, I should like leave of the committee to offer a letter from Edith J. Alden, secretary of the Chicago, Burlington & Quincy Railroad Co., addressed to Peter R. Nehemkis, Jr., special counsel, Investment Banking Section, Securities and Exchange Commission, Washington, D. C., November 30, 1939. Before permitting it to leave my hands, may I just read two paragraphs from this letter [reading from "Exhibit No. 1585"]:

Replying to your letter of November 21st having relation to the issue by Chicago Union Station Company of \$16,000,000 4% First Mortgage, Series D, and \$2,100,000 4% Guaranteed bonds in the year 1935:

Our records do not show that any question was raised as to the participation of Field, Glore & Co. in these bond issues by reason of the fact that Mr. Charles F. Glore, a partner in Field, Glore & Co., was at that time a director of Chicago, Burlington & Quincy Railroad Company. The only opinion of which we have record is the opinion of our Vice President and General Counsel made a part of the application filed with the Interstate Commerce Commission, a copy of which is hereto attached. I am advised that it is not likely that any such question was raised or considered so far as this company was concerned in view of the fact that the bonds in question were issued and sold by the Chicago Union Station Company. The Chicago, Burlington, & Quincy Railroad Company's connection with the transaction was as guarantor of the bonds and, of course, in order to make such guarantee it was required to secure the authority of the Interstate Commerce Commission.

Acting Chairman AVILDSSEN. Without objection, the letter may be admitted.

(The documents referred to were marked "Exhibit No. 1585 and are included in the appendix on p. 11640.)

Mr. NEHEMKIS. Mr. Glore, what is your understanding of the purpose of section 20 of the Clayton Act and 20a (12) of the Transportation Act? What do you think was intended by those two provisions? Have you any impressions on that?

Mr. GLORE. My only feeling about it is that had we been dealing directly with either the Burlington or Chicago Union Station Co. we would have fallen under that act. We had no direct dealing with the Chicago Union Station Co. and we tried to secure, and did secure, a participation in a piece of business that had been negotiated by others.

Mr. NEHEMKIS. If I understand you correctly, you take the position that since this was Station company business, guaranteed by Burlington, that situation took it outside the confines of the Clayton Act?

Mr. GLORE. No; I think it took us outside to some extent. I think, furthermore, it was a piece of business that we had a very minor interest in that had been negotiated by other bankers.

Mr. NEHEMKIS. Did not these two provisions from the Clayton Act and Transportation Act which I have read have as their underlying purpose to prevent railroad directors from using their position as directors to further any interest which they might have in a railroad's financing?

Mr. GLORE. I don't think the fact that I was a director of the Burlington had anything to do with it. I have known Mr. Budd for a great many years.

Mr. NEHEMKIS. I think you have misunderstood my question. I am going to ask the reporter to read it.

(The reporter read the previous question.)

Mr. GLORE. I imagine so.

Mr. NEHEMKIS. Does not the rationale of this legislation apply equally to railroads' guaranteeing the issues of their partly owned subsidiaries?

Mr. GLORE. I wouldn't want to pass on that.

Mr. NEHEMKIS. You have no comment on that?

Mr. GLORE. No.

Mr. NEHEMKIS. Did you not seriously concern yourself about the problem at the time?

Mr. GLORE. No.

Mr. NEHEMKIS. You felt, as far as your firm and your position, there was nothing to worry about?

Mr. GLORE. I think I shared the opinion of the Burlington when this question was first raised.

SUMMARY OF PARTICIPATION IN THE 1935 ISSUES¹

Mr. NEHEMKIS. Mr. Bovenizer, if we may now sum up the allotment in the two 1935 issues, as I understand it, the 50-50 division between the two principal underwriters, Kuhn, Loeb and Lee Higginson,

¹ Exhibit No. 1756," introduced on December 19, 1939, and appearing in the appendix, p. 11795, relates to the question of competitive bidding on the \$16,000,000 issue floated in 1935.

remained in effect with the modification that $2\frac{1}{2}$ percent of Lee Higginson's division was ceded to K. L.?

Mr. BOVENIZER. That is right.

Mr. NEHEMKIS. I should like to offer a letter from Kuhn, Loeb to Lee Higginson Corporation, dated March 22, 1935, and the reply thereto.

Acting Chairman AVILDSSEN. Without objection, it may be admitted.

(The letters referred to were marked "Exhibits Nos. 1586-1 and 1586-2" and are included in the appendix on p. 11641.)

Mr. NEHEMKIS. Mr. Jesup, this $2\frac{1}{2}$ percent was a portion of J. P. Morgan & Co.'s share that had not been distributed to the other firm, was it not?

Mr. JESUP. It was 5 percent out of the total 50 percent which had not been distributed, and in discussing the distribution of that 5 percent with Kuhn, Loeb, we came to the conclusion that we would not distribute it, and following out the 50-50 arrangement, Kuhn, Loeb took 50 percent of the 5 percent, and we took 50 percent.

Mr. NEHEMKIS. But the $2\frac{1}{2}$ percent was the old J. P. Morgan portion?

Mr. JESUP. Well, no; it came out of the total 50 percent that was to be distributed. Whether it came from J. P. Morgan or the Continental Illinois, I don't know.

Mr. NEHEMKIS. It was all in the fire?

Mr. JESUP. We considered it was in the pot to distribute. As a matter of fact, as I recall the memorandum¹ read by you that was in Mr. Sturgis' file he suggested that half of the $13\frac{1}{3}$ percent be given to E. B. Smith and 25 percent each to White, Weld and Lazard Frères & Co. We increased the participation by E. B. Smith to 10 percent over the $6\frac{2}{3}$ he had suggested. I considered that likewise came out of the pot. That was 50 percent to distribute.

Mr. NEHEMKIS. May I refer to my previous question, Mr. Jesup? Kuhn, Loeb obtained 35 percent, did it not, in 1935? Do you recall that?

Mr. JESUP. I think that is correct. We haven't an official record of that, but that is my understanding.

Mr. NEHEMKIS. And Brown Harriman got $17\frac{1}{2}$ percent?

Mr. BOVENIZER. I believe that is correct.

Mr. NEHEMKIS. Now, Lee Higginson got $15\frac{5}{6}$ percent.

Mr. JESUP. That is right.

Mr. BOVENIZER. That is right.

Mr. JESUP. That was $13\frac{1}{3}$, which we elected to take, plus the $2\frac{1}{2}$.

Mr. NEHEMKIS. Now, Field, Glore & Co. got a 10-percent interest; is that correct; and that 10 percent was the same 10-percent interest which the Continental Illinois Bank & Trust Co. used to have; do you recall that, Mr. Jesup?

Mr. JESUP. Well, the amount was the same, yes; the amount was the same.

Mr. NEHEMKIS. And, of course, as you all will recall, there has been evidence introduced which seems to indicate that at least in the investment banking community, it was regarded that Field, Glore had inherited the old 10-percent interest. Now, the First National Bank

¹ "Exhibit No. 1577," appendix, p. 11636.

of New York had a $13\frac{1}{3}$ -percent interest; that is correct, isn't it, Mr. Sturgis?

Mr. STURGIS. That is right.

Mr. NEHEMKIS. And that $13\frac{1}{3}$ -percent interest was split three ways: $6\frac{2}{3}$ percent was divided—was given to E. B. Smith & Co.; White, Weld & Co. obtained $3\frac{1}{3}$ percent; Lazard Frères & Co. obtained $3\frac{1}{3}$ percent.

Mr. STURGIS. That is right. Well, I think they got them; that is what we asked them to give.

Mr. NEHEMKIS. I think it is safe to assume that the evidence heretofore introduced from the files of E. B. Smith shows that? We may assume that?

Mr. STURGIS. Well, they got 10, don't forget. They got something besides.

Mr. NEHEMKIS. That's right. Now, we have accounted for all the old interests in the group except the $13\frac{1}{3}$ -percent interest of J. P. Morgan & Co. Now, if I am correct, Mr. Jesup—and you will please correct me if I have fallen into error—that $13\frac{1}{3}$ percent went to the First Boston, which obtained 5 percent; $3\frac{1}{3}$ percent to Edward B. Smith & Co., and $2\frac{1}{2}$ percent to your own firm, and an additional $2\frac{1}{2}$ percent out of the old Morgan interest went to K. L., plus Brown Harriman——

Mr. JESUP (interposing). That is the way we divided the $13\frac{1}{3}$ percent.

Mr. NEHEMKIS. You now recognize that those figures I have given you are correct, and that those figures represent the distribution of the J. P. Morgan & Co. $13\frac{1}{3}$ -percent interest?

Mr. JESUP. Well, it accounts for $13\frac{1}{3}$ percent, but I think—and I have said this before—that I carry back in my mind that we were allotting 50 percent.

Mr. NEHEMKIS. Yes.

Mr. JESUP. Now, Mr. Sturgis has testified that he has made suggestions regarding $13\frac{1}{3}$ percent, and to the suggestion we made we added $3\frac{1}{3}$.

Mr. NEHEMKIS. Yes. Now, does it not follow, Mr. Jesup, that since we have accounted for all the redistribution of the percentage allotments of this group except the $13\frac{1}{3}$ percent, which I just traced for you, that that redistribution obviously is the $13\frac{1}{3}$ -percent interest formerly held by J. P. Morgan?

Mr. JESUP. Yes; that can be considered so.

Mr. NEHEMKIS. Fine.

Mr. Chairman, I should like to offer in evidence a table prepared by members of the staff, which substantially carries out the kind of distribution I have been going through with the witnesses.

Acting Chairman AVILDSSEN. If there is no objection, it may be admitted.

(The table referred to was marked "Exhibit No. 1587" and is included in the appendix facing p. 11641.)

Mr. NEHEMKIS. I should like at this time to introduce two tables, showing the amounts and the percentages of the participation in the \$16,000,000 first-mortgage issue, and the \$2,100,000 guaranteed-bond issue.

Acting Chairman AVILDSEN. If there is no objection, they may be admitted.

(The tables referred to were marked "Exhibits Nos. 1588-1 and 1588-2" and are included in the appendix on p. 11642.)

THE 1936 REFUNDING—CHANGES IN PARTICIPATIONS NECESSITATED BY
ENTRY OF MORGAN STANLEY & CO. INCORPORATED

Mr. NEHEMKIS. Now, Mr. Bovenizer, in the fall of 1935, was not consideration again given to the possible refunding of the \$13,150,000 5 percent series B bonds?

Mr. BOVENIZER. Thirteen million? Probably it was.

Mr. NEHEMKIS. This proposal was amplified in the succeeding months, as I recall, and finally included in addition to the \$13,150,000 of series B bonds, \$30,850,000 4½ percent series A bonds; is that right?

Mr. BOVENIZER. That is right. The balance outstanding—that is right.

Mr. NEHEMKIS. Now, the final plan, as I recall it, was to refund those two issues with the 44 million first mortgage issue?

Mr. BOVENIZER. That is right.

Mr. NEHEMKIS. Is that correct?

Mr. BOVENIZER. Yes; the first mortgage 3¾'s.

Mr. NEHEMKIS. I don't hear your answer.

Mr. BOVENIZER. The first mortgage 3¾'s.

Mr. NEHEMKIS. Now, about this time, Mr. Jesup, in September 1935, do you recall whether or not the underwriting firm of Morgan Stanley & Co. was organized?

Mr. JESUP. I believe they were.

Mr. NEHEMKIS. Now, the entry of Morgan Stanley & Co. into this picture that we have been looking at necessitated making certain changes in the percentage interests which the various members of the group would have in the coming issue, as against the previous issue. Correct?

Mr. JESUP. I wouldn't say it necessitated them; no.

Mr. NEHEMKIS. Now, at this time, did you have occasion to call on Mr. Sturgis and explain this new development to him? Do you remember that?

Mr. JESUP. I think that is correct. Is this [indicating paper] for Mr. Sturgis to identify?

Mr. NEHEMKIS. For Mr. Sturgis; yes. Mr. Sturgis, you have in your possession now a carbon copy of a memorandum dated February 27, 1936, bearing what purport to be your initials. I ask you to state whether or not that copy is a true and correct copy of an original in your possession?

Mr. STURGIS. Correct.

Mr. NEHEMKIS. I didn't hear your answer.

Mr. STURGIS. That is correct.

Mr. NEHEMKIS. I offer the memorandum dated February 27, 1936, bearing the initials, "H. S. S.," entitled "Memorandum for Mr. Hooper."

Acting Chairman AVILDSEN. Without objection, it may be admitted.

(The memorandum referred to was marked "Exhibit No. 1589" and is included in the appendix on p. 11643.)

Mr. NEHEMKIS. I should like to read from this memo, if I may [reading from "Exhibit No. 1589"]:

Mr. Jesup, of Lee Higginson & Co., came to see me today to report that Chicago Union Station will issue about \$43,000,000 bonds for the purpose of calling the 4½'s and 5's. They will probably be 3¾'s at a premium. He came in the second instance to explain that they were making some changes in the percentage interest which various members of the group would have in this issue as against the former one, all caused by the presence now of Morgan Stanley & Company in the business.

Mr. Jesup, did Mr. Sturgis correctly understand you?

Mr. JESUP. I think that is right.

Mr. NEHEMKIS [reading further]:

It appears that in the former issue J. P. Morgan & Co. advised Lee Higginson to allocate that interest wherever they wished. They gave 5 per cent to the First Boston and divided the remainder between themselves and Kuhn, Loeb and Company. Field, Glore and Company got the 10 per cent interest of the Continental Bank. Mr. Jesup reported that Mr. Stanley—

Mr. Sturgis, Mr. Stanley is what individual?

Mr. STURGIS. Well, I assume—I don't know. Mr. Stanley, I assume, is of Morgan Stanley.

Mr. NEHEMKIS. Could it possibly be Mr. Harold Stanley?

Mr. STURGIS. I assume it was.

Mr. NEHEMKIS. You think so [reading further]:

Mr. Jesup reported that Mr. Stanley felt that this interest was too large; it has, therefore, been cut to 7½ per cent.

Now, Mr. Jesup, as I understand the memorandum that I have been reading from, the share of Field, Glore was cut down because Mr. Stanley felt it was too large. When did you have occasion to discuss this matter with Mr. Stanley?

Mr. JESUP. I don't believe that I discussed it with Mr. Stanley.

Mr. NEHEMKIS. Then what was the basis of your statement that Mr. Stanley felt that this interest was too large and it has therefore been cut to 7½ percent?

Mr. JESUP. Well, I think I must have gotten that understanding from one of my associates, perhaps, who did discuss the business with Morgan Stanley & Co.

Mr. NEHEMKIS. Do you have any further recollections as to which of your associates may have discussed it with Mr. Stanley?

Mr. JESUP. I think it was Mr. Hallowell.

Mr. NEHEMKIS. Well, just as you were good enough to indicate earlier that you would furnish the committee with a statement about which of your partners—I think Mr. Hallowell—talked with—which partner of J. P. Morgan, will you do likewise for this situation? Send me a note telling me who—

Mr. JESUP (interposing). Whom he talked to in the firm of Morgan, Stanley & Co.?

Mr. NEHEMKIS. That is correct, and about when.¹

Now, do you recall discussing that situation with whichever of your associates was involved? You must have, I presume, because you had this information.

Mr. JESUP. Yes.

¹ See "Exhibit No. 1670," introduced on December 15, 1939, and included in the appendix, p. 11795.

Mr. NEHEMKIS. Do you recall from your conversation with your associate whether he saw Mr. Stanley on his own volition or whether he was requested to see Mr. Stanley?

Mr. JESUP. I am sure that he saw Mr. Stanley on his own volition.

Mr. NEHEMKIS. Well, now, how did it happen, Mr. Jesup, that one of your associates should be discussing this matter at all with Morgan, Stanley & Co.? They had never before been in the group, having, as you testified a few moments ago, just been organized at this time.

Mr. JESUP. Well, I think the thing that motivated us was the fact that during the interim between this issue and the last issue, the firm of Morgan, Stanley & Co. had been formed, and that firm had been formed, as I remember it, largely from the personnel of J. P. Morgan & Co. Three of the partners of J. P. Morgan had gone with the firm of Morgan, Stanley & Co., and it was perfectly natural under the circumstances to discuss it with Morgan, Stanley & Co. I think that was part of the reason. Other reasons—we considered them a desirable underwriter to have associated in the business in a substantial way, and we valued their opinion and advice in regard to price, terms, and so forth. I think those were the reasons.

Mr. NEHEMKIS. Would it be—I beg your pardon.

Mr. JESUP. Those were the reasons that motivated it.

Mr. NEHEMKIS. Would it be a correct statement, from what you have just said, that you regarded Morgan, Stanley & Co. as the heir to the interest, the 13 percent interest, formerly had by J. P. Morgan & Co.?

Mr. JESUP. Certainly not a legal heir.

Mr. NEHEMKIS. But in a loose usage, the usage that you and your associates make of the term on the Street?

Mr. JESUP. Well, I don't think I would, no; I don't think I would necessarily consider them an heir.

Mr. NEHEMKIS. But your associate (name to be supplied by you at some future date) did feel constrained to discuss this question—not only discuss it, but to accept Mr. Stanley's recommendation that the firm of Field, Glore be cut down because he, Mr. Stanley, felt the percentage interest was too large?

Mr. JESUP. I don't think that was done on Morgan Stanley & Co.'s recommendation. We had to cut various other participants in order to inject them into the situation. There were other people out besides Glore.

Mr. NEHEMKIS. That is correct, but Mr. Sturgis, writing, I presume, shortly after his conversation with you, says [reading from "Exhibit No. 1589"]:

Mr. Jesup reported that Mr. Stanley felt that this interest was too large. It has, therefore, been cut to $7\frac{1}{2}$ percent,

Now, Mr. Jesup, what was the interest which was ultimately given to Morgan Stanley & Co.?

Mr. JESUP. 15 percent.

Mr. NEHEMKIS. In other words, they got even a larger interest than the old J. P. Morgan & Co.?

Mr. JESUP. That is correct.

Mr. NEHEMKIS. Now, to continue with the reading of the memorandum [reading further from "Exhibit No. 1589"]:

and Morgan Stanley & Co. will have 15 per cent with Lee Higginson a like amount. The First of Boston will have the same 5 per cent allocated half from

Kuhn, Loeb & Co. and half from the Lee Higginson & Co. group. This cuts to 10 per cent the interest which we would ordinarily have to allocate to our friends and they propose to allocate it in the same manner as last time.

Mr. Sturgis, which friends were you referring to?

Mr. STURGIS. As it states there in the memo, one-half to E. B. Smith & Co. and a quarter each to Lazard Frères and White, Weld.

Mr. NEHEMKIS. As I understand, Field, Glore's interest was reduced from 10 percent to $7\frac{1}{2}$ percent?

Mr. STURGIS. That is correct.

Mr. NEHEMKIS. The interest which Lee Higginson had previously divided with Kuhn, Loeb & Co. was taken over by Morgan Stanley?

Mr. JESUP. Will you repeat that, please?

(The question was read.)

Mr. JESUP. That is right.

Mr. NEHEMKIS. And the share which the First National Bank would have for allocation was also under the necessity of being cut?

Mr. JESUP. That is right.

Mr. NEHEMKIS. This meant reducing the shares of the houses which had been first designated, with your leave, Mr. Sturgis, as temporary custodians of the business; in other words, those three houses had to be cut?

Mr. STURGIS. That is right.

Mr. NEHEMKIS. Now, I take it, Mr. Sturgis, that your principal interest at this time, in 1936, as on the earlier occasions, was to retain your former interest in this piece of financing so that if banks were ever again permitted to underwrite, you would still be in a position to take your old position. Is that a correct statement?

Mr. STURGIS. Our interest was to try to do so; yes.

Mr. NEHEMKIS. Well, you certainly succeeded.

Mr. STURGIS. Well, we don't know yet.

Mr. NEHEMKIS. Well, you succeeded up to 1936; you were doing pretty well, Mr. Sturgis.

Now, in other words, if I understand this situation correctly, and you, of course, will point out my error, 3 years after the enactment of the Banking Act, the financial community still recognized that the First National Bank of New York had a proprietary interest in the financing of the Chicago Union Station Co.?

Mr. STURGIS. I think you have got to let me answer that question a little more broadly than it is worded.

Mr. NEHEMKIS. Please do.

Mr. STURGIS. There has been a good deal read in this memo about the possibility of banks getting back in the underwriting business. I think you have got to recall that in 1935, the proposed amendments to the Banking Act, which went as far as the conference between the Senate and the House, which included in it a provision which under certain restrictions would permit the banks again to underwrite—

Mr. NEHEMKIS (interposing). That was never enacted in the law, however.

Mr. STURGIS. It was not, but it was definitely in the air. It might have been a vague hope, but I think it was much more so than that, because a great many people felt it was a proper thing. I still do.

Mr. NEHEMKIS. Was your bank, by the way, one of the banks that advocated an amendment to the Banking Act so as—

Mr. STURGIS (interposing). I personally worked very hard for it. I believe in it, and I think you will have it yet, because you are going to need it.

Mr. NEHEMKIS. Well, that is another subject. So if I understand this matter correctly, if the Chicago Union Station Co., let us say, should, 3 years from now, decide to do a piece of refunding, there would still be a question as to whether some of the present members of the group could have their percentage interest, and they would have to obtain some information from you or there would have to be some conversation with you as to whether or not they could have—

Mr. STURGIS (interposing). That is not a correct statement, sir. In the first instance, the Chicago Union Station has got to decide whom they want to underwrite. If they decide they want Kuhn, Loeb and Lee Higginson, then Lee Higginson still has the option as to whether they offer us any of that business. The only thing we have tried to do is to say to E. B. Smith and our other friends, "Don't resent it if we try to get it back."

Mr. NEHEMKIS. Now, Mr. Jesup, you have been a messenger of good tidings on numerous occasions; let's take the same hypothetical situation I put to Mr. Sturgis. Let's say 3 years from now, the Station Co. proposes to do a piece of underwriting—I mean refunding—and your firm and Mr. Bovenizer's firm still have a joint account. Would you feel constrained to still visit, as you have done in the past, Mr. Sturgis and ask him to what particular underwriting houses he wished to designate the First National's interest in the business?

Mr. JESUP. Well, I find that a very difficult question to answer. I don't see very well how I can speculate on what I might do several years from now, and I don't see how I can cross that bridge until we come to it.

Mr. NEHEMKIS. Let me ask another question. Perhaps you can help me with this. Suppose tomorrow word reaches you from Mr. Bovenizer that the Station Co. is about to have discussions on refunding. You have had several meetings, you talked over the deal with Mr. Bovenizer, you are ready to set it up. Would you, on that basis, feel constrained to again visit Mr. Sturgis and get from him authorization to designate other houses, or to get his views on who the new members of the group might be?

Mr. STURGIS. I would like to answer that question.

Mr. NEHEMKIS. Please, Mr. Sturgis.

Mr. HENDERSON. Counsel, Mr. Sturgis—

Mr. STURGIS (interposing). If he has made all his allocations, he has no obligation to come to us any more at all. I will help him out. Don't put him in a place where he has got to make a commitment with me.

Mr. HENDERSON. I think Mr. Sturgis has a point there.

Mr. NEHEMKIS. Mr. Glore, I think you had anticipated—

Mr. HENDERSON (interposing). I think that is what you lawyers call a reversionary interest in the thing, but speaking for the committee—I don't want to assume that it has any legal status, since I am not a lawyer—I can say that I think we have finished with that point and we can go forward from here.

FIELD, GLORE & CO. REQUESTS ASSISTANCE OF RALPH BUDD IN OBTAINING A POSITION IN SYNDICATE

Mr. NEHEMKIS. Thank you, Mr. Commissioner. May I direct a question to you, Mr. Glore? You rather anticipated it, hadn't you, that the entry of Morgan Stanley might affect the position of your own firm? I believe in January, a month before the redistribution of the shares was made, you had occasion to write to Mr. Budd about the future position of Field, Glore. Do you recall that situation?

Mr. GLORE. I do.

Mr. NEHEMKIS. Well, I show you a letter from you to Ralph Budd, dated January 25, 1936, and I ask you to tell me whether that is a true and correct copy of an original which is in your possession?

Mr. GLORE. Yes.

Mr. NEHEMKIS. Mr. Chairman, I offer this letter in evidence.

Acting Chairman AVILDSSEN. Without objection, it may be received in evidence.

(The letter referred to was marked "Exhibit No. 1590" and is included in the appendix on p. 11643.)

Mr. NEHEMKIS. May I read to the committee from this letter?

This is a letter by Charles F. Glore to Ralph Budd, Esq., Chicago, Burlington & Quincy R. R. Co., 547 West Jackson Blvd., Chicago, Ill., and it says [reading from "Exhibit No. 1590"]:

I have just learned this morning that the Chicago Union Station plan to do some additional refinancing.

If you will remember, in the recent issue of \$16,000,000 4's Field, Glore & Co. secured a position very largely, if not entirely, through your help. Normally, I would not bother you again on this subject, but with the return through Morgan Stanley & Co. of J. P. Morgan & Company to the bond business, there may be some discussion of interests in the proposed business that might or might not affect the position that we secured in the last financing.

I take it, then, Mr. Glore, that you recognized that the return of J. P. Morgan & Co. to business was being done through Morgan Stanley; is that what you meant?

I don't want to misunderstand you. If you meant something—I mean, after all, you people in the banking community, you know the "deer runs" and the "salt licks." I am just trying to understand these problems. If I misunderstood you, I want you to tell me I have.

Well, perhaps I might continue with the letter while you contemplate that [reading further]:

With this thought in mind, I am wondering if you would be willing to drop Mr. County of the Pennsylvania Railroad a note to the effect that you would like to have us continued in Union Station business. I suggest Mr. County for the reason that I understand Mr. Clement is away from his office.

If entirely consistent and you can write such a letter, it will be very much appreciated. Very truly yours, Charles F. Glore.

And now I show you, Mr. Glore, a photostat copy of a letter from Ralph Budd, addressed to you, and dated January 27, 1936. I ask if you recognize that letter?

Mr. GLORE. I do.

Mr. NEHEMKIS. You do recognize it?

I offer in evidence a letter from Ralph Budd to Mr. Glore, dated January 27, 1936.

(The letter referred to was marked "Exhibit No. 1591" and appears in full on the following page.)

Mr. NEHEMKIS. May I read this letter, Mr. Chairman? [Reading "Exhibit No. 1591":]

DEAR MR. GLORE: This will acknowledge your letter of January 25 about the proposed refunding of Chicago Union Station issues. I shall be glad to write Mr. County as suggested and hope that your Company will be included in the syndicate if the proposed refinancing is undertaken.

Yours very truly,

(Signed) RALPH BUDD.

I now show you, Mr. Glore, a letter addressed to you from Ralph Budd, dated February 1, 1936, and ask you if you recognize that letter as being an original in the files of your company?

Mr. GLORE. Yes.

Mr. NEHEMKIS. I offer this letter in evidence, Mr. Chairman.

Acting Chairman AVILDSSEN. Without objection, it may be admitted. (The letter referred to was marked "Exhibit No. 1592" and appears in full in the text.)

Mr. NEHEMKIS. May I read this letter by Mr. Budd to Mr. Glore? [Reading "Exhibit No. 1592":]

DEAR MR. GLORE: I advised you on January 27 that I would write Mr. County about including your Company in the syndicate if the proposed refunding of the Chicago Union Station is undertaken. Mr. County has answered my letter as follows:

"Will be glad to see that the matter receives full consideration in connection with the refunding of the Chicago Union Station Company issues, for which we will desire the widest possible market."

Yours very truly,

RALPH BUDD.

I should like at this time to offer in evidence, Mr. Chairman, a memorandum pertaining to the Chicago Union Station Co., from the files of Smith, Barney & Co., which has been previously identified.

Acting Chairman AVILDSSEN. Is there any date on it?

Mr. NEHEMKIS. There are a series of diary entries, which I will designate as I read to you, with your leave, the memorandum in question.

Acting Chairman AVILDSSEN. Without objection, it may be admitted.

(The memorandum referred to was marked "Exhibit No. 1593" and is included in the appendix on p. 11644.)

CHANGES IN PARTICIPATIONS NECESSITATED BY ENTRY OF MORGAN STANLEY & CO., INC.—RESUMED

Mr. NEHEMKIS. This is a diary entry, under date of February 27, 1936, entered by J. W. C., who is John W. Cutler, a partner in the firm of Smith, Barney & Co. Mr. Sturgis, would you listen attentively to this diary entry? [Reading from "Exhibit No. 1593":]

H. Sturgis of First National Bank called today and said business would probably come next week. \$43,000,000 3¾s. Same group, with addition of Morgan Stanley, on account of their being back in business.

Mr. Chairman, I take it this is what the literature of psychology refers to as a psychological slip, undoubtedly the writer of the diary entry must have meant J. P. Morgan & Co. [reading further]:

Therefore, participations will be reduced and ours will be 5% instead of 6½%, as it was in the old issue.

And a question mark there.

We may expect to hear officially from Mr. Jesup of Lee Higginson.

I want to emphasize that last sentence, in view of the previous testimony of some of the witnesses.

We may expect to hear officially from Mr. Jesup of Lee Higginson.

I continue with the diary entry, by John W. Cutler, dated February 27, 1936.

Mr. Jesup of Lee Hig telephoned later. His conversation was as follows: "We are planning to call the 4½s and 5 percent bonds of Chicago Union Station, which will involve an issue of about \$43,000,000 of new bonds. The group will be the same, ourselves, Kuhn, Loeb, etc.—Kuhn Loeb heading. The bonds will probably be 3¾s, to be sold at a premium. Price not definitely fixed—some-where around 3.50 to 3.55 basis. The Road wants the premium in order to avoid putting up new money."

I call your attention to the next paragraph, Mr. Chairman.
[Reading further from "Exhibit No. 1593":]

"The account becomes more complicated this time, as Henry Sturgis probably explained to you, as Morgan Stanley is back in business, and that slices everybody. Out of the 10% interest that the First Natl. had left out of their 13½, Henry—"

I presume he refers to you, Mr. Sturgis—

"said he wanted to divide 50% to EBS&Co.—"

meaning E. B. Smith & Co.—

"and 25% each to Lazard and White Weld, giving EBS&CO. an interest of 5% and Lazard and White Weld each 2½%."

I should like to offer in evidence at this time, Mr. Chairman, a diary entry by Karl Weisheit of the firm of Smith, Barney & Co., the memorandum having been previously identified.

Acting Chairman AVILDSSEN. If there is no objection, it may be admitted.

(The memorandum referred to was marked "Exhibit No. 1594" and is included in the appendix on p. 11644.)

Mr. NEHEMKIS. May I read from this memo:

JWC—

That is John W. Cutler —

asked Ed Jesup if they were expecting to give us a participation out of their interest as in the last deal where we got 3½% from them. Jesup explained that the 3½% had come out of J. P. Morgan & Co.'s interest which they could not at that time take themselves and that since Morgan Stanley were now in business they would take the interest which J. P. Morgan & Co. formerly had so that there was nothing to give us in addition to the 5% out of the First National Bank's interest.

Mr. Jesup, did Mr. Karl Weisheit, partner of the firm of Smith, Barney & Co., correctly understand you?

Mr. JESUP. Mr. Nehemkis, I have no recollection of talking to Mr. Karl Weisheit. I presume that he did, and I presume that is correct. But I have no recollection of that.

Mr. NEHEMKIS. I am sorry. My associate points out to me that any conversation you may have had was not with Karl Weisheit, the writer of the diary entry, but with John W. Cutler.

Mr. JESUP. Oh, I think that is right; I think that is right.

Mr. NEHEMKIS. Do you recall having such a conversation?

Mr. JESUP. Rather vaguely.

Mr. HENDERSON. Mr. Nehemkis, these fractional participations are getting confusing. Would you ask the witness whether any of those

participations were ever sold—I mean, whether a company interest was ever sold?

Mr. NEHEMKIS. I think you put the question so well. Mr. Henderson, I can't improve upon it.

Mr. HENDERSON. Mr. Jesup, were any of those participations taken off of one and given to another, ever sold or traded for a consideration?

Mr. JESUP. Not that I know; no.

Mr. STURGIS. Never heard of it.

Mr. HENDERSON. I mean, is there any reciprocal treatment given in any case with any of these?

Mr. JESUP. No.

Mr. STURGIS. Not that I know of.

Mr. HENDERSON. Let me ask, Mr. Sturgis, do you recall getting any consideration for this business that you threw to these people?

Mr. STURGIS. Why, in what form? Certainly not in money.

Mr. HENDERSON. No; any specific business that you got as a direct result—

Mr. STURGIS (interposing). Certainly not; never anything asked for.

Mr. NEHEMKIS. May I just suggest a possible question that I am sure you were about to ask, Mr. Henderson? Would such consideration possibly have been in the way of trusteeship, registrarship?

Mr. STURGIS. Never got it.

Mr. NEHEMKIS. Sinking fund?

Mr. STURGIS. Never got it, never asked for it, nor was it offered to us.

Mr. NEHEMKIS. How about deposit accounts?

Mr. STURGIS. Well, these people have had deposits with us for years.

Mr. HENDERSON. That is all.

Mr. NEHEMKIS. I take it then, Mr. Jesup, from the diary entry which I read a moment ago, that you recognize that Morgan Stanley was taking over the old J. P. Morgan & Co. interest.

Mr. JESUP. Well they got a larger interest than J. P. Morgan.

Mr. NEHEMKIS. Correct, they got a 15 percent interest whereas J. P. Morgan had formerly had only a 13½ percent.

Mr. JESUP. That is right.

Mr. NEHEMKIS. So in addition to taking over the old interest and as a result of cutting down Field, Glore and other reallocations, they came out with a larger interest than J. P. Morgan & Co. formerly had?

Mr. JESUP. The reason for that was, we wanted to keep 15 percent for ourselves and wanted to put Morgan Stanley on the same basis.

Mr. NEHEMKIS. So that you recognize, Mr. Jesup, that even with the passage of the Banking Act of 1933, the proprietary interest of this business on the part of J. P. Morgan & Co. did not lapse. Do you want that question repeated?

Mr. JESUP. No. Well, I—we didn't feel that we had any legal obligation or moral obligation to offer this participation to Morgan Stanley. It was something that we wanted to do because of the history of the account.

Mr. NEHEMKIS. But you felt that with the entry of Morgan Stanley into business you wanted them to have the old participation in addition to a slightly larger amount?

Mr. JESUP. We wanted them to have exactly the same participation that we were taking.

Mr. NEHEMKIS. Now, have any of the other banking firms in the financial community recognized this proprietary right of J. P. Morgan & Co. to its business? Do you recall?

Mr. JESUP. I don't know.

Mr. NEHEMKIS. Perhaps this will refresh your recollection. I should like at this time, Mr. Chairman, to offer in evidence a memorandum obtained from the files of Smith, Barney & Co. and previously identified. This memorandum is by G. W. Speer and is dated March 3, 1936.

Acting CHAIRMAN AVILDSEN. If there is no objection it will be received.

(The memorandum referred to was marked "Exhibit 1595" and is included in the appendix on p. 11644.)

Mr. NEHEMKIS. May I read to you, Mr. Jesup, from a statement by a member of the banking community? [Reading from "Exhibit No. 1595"]:

The First National Bank of New York had an interest of 10% in Chicago Union Station financing in the past. When the First 4s, Series "D", were sold in March, 1935, their interest was increased to 13½% because of the fact that J. P. Morgan & Co. was not in the business. The First National Bank directed that 50% of their interest (or 6½% of the total business) be allocated to us and we received an additional 3½% interest through Lee Higginson Corporation out of their proportion of J. P. Morgan & Co.'s interest.

In the case of the present financing the interest of the First National Bank was reduced to their former 10% because of the fact that Morgan Stanley & Company took over the old J. P. Morgan & Co. interest.

So that we have another banking house in the community recognizing that Morgan Stanley took over the old J. P. Morgan & Co. interest.

Mr. JESUP. Who wrote that memorandum?

Mr. NEHEMKIS. This is a memorandum written by G. W. Speer, a memorandum obtained from the files of Smith, Barney & Co., dated March 3, 1936, and identified by a member of my staff as having been furnished to him by a responsible partner of the firm of Smith, Barney & Co. May I continue with the reading? [Reading further from "Exhibit No. 1595"]:

In the case of the present financing the interest of the First National Bank was reduced to their former 10% because of the fact that Morgan Stanley & Company took over the old J. P. Morgan & Co. interest. Half of this 10%, or 5% of the total business, was allocated to us, 25% each (or 2½% of the total business) being given to White, Weld & Company and Lazard Freres & Company, Inc. We received no interest in the present purchase group through Lee Higginson Corporation because the 3½% which we had thus received when the First 4s, Series "D," were offered was taken by Morgan, Stanley & Company. Consequently our final interest in this financing was limited to the 5% allocated to us by the First National Bank.

In other words, as I understand what this individual is saying, Mr. Jesup, Morgan Stanley had a right to the proprietary share of J. P. Morgan & Co.'s interest even if it necessitated cutting the shares of the other houses that had previously obtained positions in the earlier financing.

Mr. JESUP. Well, I don't know Mr. G. W. Speer. To the best of my belief and knowledge, I never had any conversation with him. I can't place him at all. I think in this memorandum he is using entirely his own phraseology, and in some respects it is inaccurate. The interest of the First National Bank was never 10 percent. It was always $13\frac{1}{3}$ percent.

Mr. NEHEMKIS. Before we get into a discussion of this, the record is correct on the basis of your own preceding testimony as to what the accurate percentages were. This was a reading from a diary entry.

Mr. STURGIS. What I want to raise is——

Mr. NEHEMKIS (interposing). You don't deny that?

Mr. STURGIS. I want to raise this question—that he is so inaccurate in regard to our participations that I want to raise a question as to the accuracy of the rest of the memorandum.

Mr. NEHEMKIS. That is a very legitimate comment.

Mr. Bovenizer, to come back to you for a moment, I haven't forgotten about you. The participation as thus rearranged as a result of the organization of Morgan Stanley & Co. were carried out when the issue was floated. Is that correct? Do you recall that?

Mr. BOVENIZER. Yes; surely.

Mr. NEHEMKIS. I should like to offer, Mr. Chairman, a letter from Kuhn, Loeb & Co. to Lee Higginson, dated March 2, 1936; a letter from the assistant secretary of Lee Higginson Corporation to Morgan Stanley & Co., Inc., dated March 2, 1936, bearing on the lower left-hand corner the following statement [reading from "Exhibit No. 1596-2"]

Confirmed: March 2, 1936. Morgan Stanley & Co. Incorporated (Signed) Harold Stanley, President.

and a letter from Kuhn, Loeb & Co. to Pierpont V. Davis, Esq., vice president, Brown Harriman & Co., Incorporated, under date of March 2, 1936. All of these letters have been previously identified.

Acting Chairman AVILDSEN. Without objection, they will be received.

(The letters referred to were marked "Exhibits Nos. 1596-1 to 1596-3" and are included in the appendix on pp. 11645-11646.)

Mr. NEHEMKIS. May I offer at this time, Mr. Chairman, two tables prepared by the staff of the Investment Banking Section from ledger transcripts, memoranda, and correspondence furnished us and obtained from the various houses here concerned, showing the percentage distribution of the \$44,000,000 first-mortgage issue offered in April 1936, and the \$7,000,000 guaranteed bond issue offered in August 1936, concerning which our testimony has dealt.

May I point out, before relinquishing these documents to you, the participation interests of the various firms.¹

In the April 1936 issue we find that Kuhn, Loeb & Co., which had a joint interest, 50-50 with Lee Higginson, ceded $2\frac{1}{2}$ percent to the First Boston Corporation and divided the remainder of its interest as follows: 31.67 percent retained by Kuhn, Loeb; Brown Harriman & Co. Incorporated, 15.83 percent; the First Boston Corporation, 5 percent. Is that correct?

Mr. BOVENIZER. We gave $2\frac{1}{2}$ percent to the First Boston.

¹ Referring to "Exhibit No. 1597-1." See appendix, p. 11647.

Mr. NEHEMKIS (interposing). And also your firm, Mr. Jesup, gave 2½ percent to the First Boston?

Mr. JESUP (interposing). That is right.

Mr. NEHEMKIS. So in the Lee Higginson group, we have Lee Higginson, 15 percent; Field, Glore & Co., 7½ percent; Edward B. Smith & Co., 5 percent; White, Weld & Co., 2½ percent; Lazard Frères, 2½ percent; and the First Boston, having received 2½ percent from each of the two houses, obtained an aggregate of 5 percent.¹

Now, in the August 1936 offering of guaranteed bonds, Mr. Bovenizer, were there any changes in the percentage allotments?

Mr. BOVENIZER. No; the same arrangement as in the March transaction.

Mr. NEHEMKIS. And, Mr. Jesup, in the August offering were there any percentage changes in the members of your group?

Mr. JESUP. I think they were just the same. They were the same; yes.

EXTENT TO WHICH CHICAGO UNION STATION GROUP HAD BECOME
CRYSTALLIZED—USE OF TERM "NOT A PRECEDENT"

Mr. NEHEMKIS. So by this time the participations of these various houses whose names I have read off had become crystallized, and would this be a fair statement: That in all probability, unless the Station Co. itself requested, you will regard this group as being the group for the next offering on Station Co. bonds?

Mr. JESUP. No.

Mr. NEHEMKIS. You think——

Mr. JESUP (interposing). Not necessarily; there might be a lot of conditions that might alter all those participations.

Mr. NEHEMKIS. As far as you know, Mr. Bovenizer, is this the group that can be considered the group for Station Co. financing?

Mr. BOVENIZER. I would say that of any group that has carried through for a long time now.

Mr. NEHEMKIS. These percentages have gone through, as we saw earlier, since 1915?

Mr. BOVENIZER. Yes.

Mr. NEHEMKIS. And you do not feel, however, that there is any precedent about this financing?

Mr. BOVENIZER. No.

Mr. NEHEMKIS. In other words, if there should come out a refunding issue in the next month, you would reshuffle this whole group?

Mr. BOVENIZER. I wouldn't say we would; we would consider what we might do. We might take it just as it is, we might not. I don't know at this moment what we might do.

Mr. NEHEMKIS. Is it probable, however, that you would include the same houses?

Mr. BOVENIZER. As far as we are concerned, I should say yes.

Mr. NEHEMKIS. What would your answer to the same question be, Mr. Jesup.

Mr. JESUP. I would think so, unless something happened in some of these houses which might possibly alter the facts.

¹ "Exhibit No. 1597-1."

Mr. NEHEMKIS. May I offer in evidence the two tables which have been identified?

Acting Chairman AVILDSSEN. Without objection, they will be received.

(The tables referred to were marked "Exhibits Nos. 1597-1 and 1597-2" and are included in the appendix on p. 11647.)

Mr. O'CONNELL. I notice, Mr. Jesup, one of these memoranda of diary entries of Mr. Speer, in the last paragraph he states this [reading from "Exhibit No. 1595"]:

As in the case of the previous financing it was stated in the purchase group letter to us from Lee Higginson Corporation that our interest in the business was not to constitute a precedent in connection with any future financing for Chicago Union Station Company.

Do you recall if that general statement was contained in that group letter?

Mr. JESUP. That is right.

Mr. O'CONNELL. Is that contained in the letter to each of the participants, or was it contained in the letter to Smith, Barney & Co.?

Mr. JESUP. I assume that it was in each of the letters.

Mr. O'CONNELL. Would you know specifically whether in the group letter to Morgan Stanley & Co. you advised them that the 15 percent participation was not to be considered a precedent in connection with future financing?

Mr. JESUP. I wouldn't remember unless I saw the letter.

Mr. O'CONNELL. But you are familiar with the fact that in some cases that statement is made in the group letter?

Mr. JESUP. That is right.

Mr. O'CONNELL. What is the theory behind that, to protect you from what?

Mr. JESUP. Just the thought in back of our minds and the hope that there might be possibly a change in the act.

Mr. O'CONNELL. What do you understand that this particular provision does? Does it protect you from a legal obligation to continue to allot business to particular—

Mr. JESUP (interposing). No; no particular obligation, it just puts us on record that we might possibly change the group.

Mr. NEHEMKIS. Mr. O'Connell, I think I have here in front of me the letter which was sent by Lee Higginson to Morgan Stanley, which I offered a moment ago without reading. I think this contained the information you want.

Mr. O'CONNELL. Would you read that portion of it?

Mr. NEHEMKIS. I will give you the result of it. There is no statement in this letter that this allocation was not to be considered a precedent. The percentage participations are set out in the letter. It states as follows [reading from "Exhibit No. 1596-2"]:

Your participation in this purchase will be subject to a management fee of $\frac{1}{8}\%$ and your pro-rata share of all expenses (including any losses which may result from purchases and sales dealing in these bonds).

In addition to yourselves, the following have also been included in this purchase, with interest as indicated.

Then appears the rest of the group, and their interest and their dollar amounts [reading further]:

Of the interest of the \$2,200,000, principal amount to The First Boston Corporation, \$1,100,000 (i. e. $2\frac{1}{2}\%$) has been offered to them by Messrs. Kuhn, Loeb & Co., and \$1,100,000 (i. e. $2\frac{1}{2}\%$) by Lee Higginson Corporation.

Those are the percentages that Mr. Jesup and Mr. Bovenizer testified to.

I find nothing in here that says that this business was not to be regarded as a precedent, and I assume that it is always very important in the banking community to indicate whether these matters are a precedent.

This letter was pretty much in the nature of a binding obligation, because, as you recall at the time I offered this letter, I indicated that at the bottom of this letter there appeared the following [reading further from "Exhibit No. 1596-2"]:

Confirmed March 2, 1936. Morgan Stanley & Co. Incorporated. (Signed) Harold Stanley, President.

So that Mr. Stanley, unless there was some oral conversation, certainly was never informed formally that he could understand that this was not a precedent for future business.

MR. O'CONNELL. Of course, Mr. Jesup, my interest arises because of your statement made several times that there was no legal or moral obligation on your part or on the part of the other syndicate manager to allocate a share of this business to any particular company; and if, as appears to be the fact, in writing to Smith, Barney, who was apparently the successor to one of the original participants, you found it necessary to use rather formal legal language to the effect that it was not to constitute a precedent for future business, and, on the other hand, did not find it necessary to make such a formal statement to other participants, it would seem to me to require a little more elaboration as to just what in terms of the trade the situation really was. It isn't a legal question, as I understand it.

MR. JESUP. In the first place, I might say that possibly that phrase should have been included. Possibly the reason that it was not included—I am speculating on this now—I think it was because Morgan Stanley had exactly the same participation that we had, and we regarded them as a main, chief partner in the business, possibly on a little different basis than some of the others having a smaller interest.

MR. O'CONNELL. Do you think by any stretch of the imagination that Smith, Barney might have been considered as having obtained a legal right to future participation had you not put this provision in your letter?

MR. JESUP. No; I don't think so. Very frequently those letters are written without any qualifying phrase at all, such as that. We frequently get that kind of a letter without any qualifying phrase. I don't necessarily consider that that is any binding obligation unless the phrase is used. I can remember innumerable cases where we have had a piece of business and the letter of confirmation hasn't contained that phrase.

MR. O'CONNELL. I am quite sure it would have no legal effect. I am rather interested in the usage in the business which seems to have grown up of accepting what has been referred to as a proprietary interest on the part of the original participants, let me say, in

a group, and that you continue on in such a way as to protect that proprietary interest even after the Banking Act of 1933 when the original participant is no longer in existence. That is a usage which has apparently developed as far as this evidence is concerned; is it not?

Mr. JESUP. That is right.

Mr. NEHEMKIS. Would you indicate under what circumstances you would feel constrained, or your syndicate manager would feel constrained to write in a letter something to this effect: "This group shall not constitute a precedent for future business"? Do I make myself clear?

Mr. JESUP. It might possibly be some such thing as we have been talking about, Mr. Sturgis' optimism, possibly the banks coming in, or some other situation which might arise which might possibly change the make-up of the account.

Mr. NEHEMKIS. Is it not a fact, Mr. Jesup, that the manager of an account is usually very careful to indicate at the time of offering his participations to other members of the group whether or not that particular offering does constitute a precedent?

Mr. JESUP. I don't think so, Mr. Nehemkis.

Mr. NEHEMKIS. Mr. Bovenizer, you have been in this business for many, many years. What is your judgment?

Mr. BOVENIZER. I don't think it is ever done, except in a very extraordinary case.

Mr. NEHEMKIS. In other words, if the manager of the account is quite clear in his mind that he is going to reshuffle the group on the next issue, or for one reason or another doesn't want the group to become crystallized, he will indicate to the participants that this does not constitute a precedent?

Mr. BOVENIZER. I should say, Mr. Nehemkis, that no group is crystallized. It may change at any time.

Mr. NEHEMKIS. Except the Chicago Union Station Co. group, which remained crystallized from the year 1915 until the last piece of financing, 1936. What is your version, Mr. Glore? What do you think? What is your own practice in your firm?

Mr. GLORE. I don't know.

Mr. NEHEMKIS. Do you originate business?

Mr. GLORE. Yes.

Mr. NEHEMKIS. What do you do?

Mr. GLORE. I don't know.

Mr. NEHEMKIS. Mr. Fennelly isn't here?

Mr. GLORE. No.

Mr. NEHEMKIS. I haven't any further direct questions, but as you recall, Mr. Chairman, we offered a chart earlier to which I should like to refer. This chart, when the committee has leisure to examine it, will show the history of these various participations through the pieces of financing that we have been discussing and as we have traced in the previous testimony how these minute little percentages were allo-

cated and redistributed. I now offer this copy in lieu of the one previously offered.¹

Acting Chairman AVILDSSEN. It may be admitted. Is it a different chart?

Mr. NEHEMKIS. It is the same one, but a caption has been put on. Just substitute the charts.¹

Mr. MILLER. I would like to ask a question, Mr. Chairman. I would like to have Mr. Bovenizer, if he would, explain to the committee in a very general way, what the practice is of an underwriting house in getting up a group to purchase a new issue, No. 1, and No. 2, a continuing piece of business, a new piece of financing for an old account. Will you just tell us in a general way what the general customs of the business have been?

Mr. NEHEMKIS. Mr. Miller, may I interrupt a moment? It is terribly late, and I perhaps might tell you that in the course of these hearings I think the committee is going to be deluged with descriptions of just the point that you are raising. You may want to get Mr. Bovenizer's reaction, but I thought in view of the fact that it is after 6, if I informed you of this point you might want to defer your question.

Mr. MILLER. I don't want to keep the members of the committee, but I think there has been a lot of confusion here about the custom of these syndicates. I would like Mr. Bovenizer's view.

Acting Chairman AVILDSSEN. Is Mr. Bovenizer going to be a witness at subsequent hearings?

Mr. NEHEMKIS. I don't think so.

Mr. BOVENIZER. There will be others here who can answer the question.

Acting Chairman AVILDSSEN. How long would it take you?

Mr. BOVENIZER. I don't know. There is no general custom. Every group stands on its own feet. If you had a group that has gone on for a number of years and you are satisfied with the members of it, you don't usually change them unless you feel you ought to include somebody else because of their placing ability, or something along that line. If some organization has been coming along and growing, you tell the rest of your group. That is why I say these groups are no precedent, because somebody may come along tomorrow and turn out to be what we think is just as good as somebody we have got in here. We make up our minds that we ought to give them 5 or 7½ percent and tell the rest of the boys in the group, "We've got to cut you down to let them in." I mean, every account in my mind stands on its own two feet. And then you wouldn't want, perhaps, the same people to offer the same security all the time. The geographical considerations have to be taken into consideration. One thing will sell better in Chicago than it will in New York or in San Francisco better than either place. You include more people out there or you seek people

¹Previously entered as "Exhibit No. 1587," appendix, facing p. 11641.

out there to be in your account. There are an awful lot of considerations. I don't think you could make any hard and fast rule.¹

Acting Chairman AVILDSSEN. Does that answer your question, Mr. Miller?

Mr. MILLER. Yes.

Mr. NEHEMKIS. Mr. Chairman, do you desire to hear at this time the witnesses to be called tomorrow?

Acting Chairman AVILDSSEN. If you please.

Mr. NEHEMKIS. At the morning session we will discuss, if it is your pleasure, the financing of the Pacific Gas & Electric Co. The two witnesses will be Mr. Stanley Russell, of Lazard Frères & Co., and Mr. George Leib, of Blyth & Co. At the afternoon session we will discuss the financing of the Southern California Edison Co., and the witness will be Mr. George D. Woods, of The First Boston Corporation.

Acting Chairman AVILDSSEN. Are there any other questions of the present witnesses? If not, they will be excused.

(The witnesses, Bovenizer, Glore, Jesup, and Sturgis were excused.)

Acting Chairman AVILDSSEN. The committee will stand adjourned until 10:30 tomorrow morning.

(Whereupon, at 6:15 p. m., the committee recessed until 10:30 a. m. Wednesday, December 13, 1939.)

¹ By a circular letter dated March 5, 1940, the Chicago Union Station Company invited bids for the sale of \$16,000,000 principal amount first Mortgage 3½% Bonds, Series F, due July 1, 1963. 107 invitations were extended. The Station Company received 5 acknowledgments and 1 bid, the latter from the investment banking firm of Halsey, Stuart & Co., Inc., which submitted a bid of 98.05% of the principal amount of said bonds, plus accrued interest at the coupon rate to the date of payment therefor. On March 14, 1940, the Company rejected the said bid, and awarded the issue to a syndicate headed by Kuhn, Loeb & Co.

A comparison of the syndicate members and their percentage participations for this financing with that of the last previous underwritings of the Chicago Union Station Co. follows:

Underwriter	\$44,000,000 1st. mtge. 3¾% Series E of '63 (Ex. #1597-1; \$7,- 000,000 Guaranteed 3¾% Bonds of '51 (Ex. #1597-2)	\$16,000,000 1st. mtge. 3½% Bonds Series F of '63, (See supple- mental data, p. —)
Kuhn, Loeb & Co.	31.67	31.67
Lee, Higginson Corporation	15.00	15.00
Harriman, Ripley & Co., Inc.	15.83	15.83
Morgan Stanley & Co., Inc.	15.00	15.00
Glore, Forgan & Co.	7.50	7.50
Smith, Barney & Co.	5.00	5.00
The First Boston Corp.	5.00	5.00
White, Weld & Co.	2.50	2.50
Lazard Freres & Co.	2.50	2.50

The details of the \$16,000,000 Series F financing are included in the appendix, p. 11822.

INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

WEDNESDAY, DECEMBER 13, 1939

UNITED STATES SENATE,
TEMPORARY NATIONAL ECONOMIC COMMITTEE.
Washington, D. C.

The committee met at 10:35 a. m., pursuant to adjournment on Tuesday, December 12, 1939, in the Caucus Room, Senate Office Building, Representative B. Carroll Reece presiding.

Present: Representative Reece, acting chairman; Messrs. Henderson, O'Connell, Avildsen, and Brackett.

Present also: Senator Joseph Guffey, of Pennsylvania; Baldwin B. Bane, Securities and Exchange Commission; Clifton M. Miller, Department of Commerce; Hugh B. Cox, Department of Justice; Peter R. Nehemkis, Jr., special counsel, and Samuel M. Koenigsberg, associate attorney, Securities and Exchange Commission.

Acting Chairman REECE. The committee will come to order, please. Before you call the next witness, Mr. Nehemkis, Commissioner Henderson would like to make a statement. We would be glad to have you do so now, Commissioner.

Mr. HENDERSON. For the purpose of complete understanding, I would like to say that the S. E. C. is not recommending and is not studying recommendations relating to specific changes in the Banking Act of 1933. The endeavor of this presentation is to bring out the facts, and anything relating to recommendations concerning legislation must necessarily come, if at all, from this committee.

Acting Chairman REECE. Mr. Nehemkis, are you ready to proceed?

Mr. NEHEMKIS. Mr. Chairman, you may recall that yesterday afternoon I told Senator O'Mahoney that inadvertently the original copy of a letter from Kuhn, Loeb & Co. was not placed in the record, and I would have it here this morning. I should now like to offer a letter from Kuhn, Loeb & Co., addressed to the committee's counsel, and a copy of a letter by Kuhn, Loeb to the Senate Committee on Interstate Commerce.²

Mr. NEHEMKIS. Mr. Stanley Russell.

Acting Chairman REECE. Do you solemnly swear that the testimony you are about to give in this proceeding shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. RUSSELL. I do.

¹ See *supra*, p. 11428.

² Previously entered as "Exhibits Nos. 1538-3 and 1539-1." See *supra*, p. 11428.

TESTIMONY OF STANLEY A. RUSSELL, LAZARD FRÈRES & CO.,
NEW YORK, N. Y.

Mr. NEHEMKIS. Mr. Russell, will you state your full name and address, please?

Mr. RUSSELL. Stanley A. Russell, Cresmont Road, Montclair, N. J.

Mr. NEHEMKIS. With what banking house are you now associated?

Mr. RUSSELL. Lazard Frères & Co.

Mr. NEHEMKIS. What is your position with that house?

Mr. RUSSELL. Partner.

Mr. NEHEMKIS. You became associated with Lazard Frères at what time, Mr. Russell?

Mr. RUSSELL. August, in 1934.

Mr. NEHEMKIS. And prior to your association with Lazard Frères, what was your previous business connection?

Mr. RUSSELL. The National City Co.

Mr. NEHEMKIS. And at the National City Co., what position did you occupy?

Mr. RUSSELL. Vice president.

Mr. NEHEMKIS. And as vice president of the National City Co., did you have any particular or special duties?

Mr. RUSSELL. I handled the purchase of industrial and public utility securities.

Mr. NEHEMKIS. Mr. Russell, are you a director of the General American Investors' Corporation?

Mr. RUSSELL. Yes, sir.

Mr. NEHEMKIS. And of the Pennsylvania Dixie Cement Corporation?

Mr. RUSSELL. Yes, sir.

Mr. NEHEMKIS. Do you hold any other directorships?

Mr. RUSSELL. I don't think so.

NATIONAL CITY CO. ACCOUNTS AND THEIR SUBSEQUENT FINANCING

Mr. NEHEMKIS. Mr. Russell, am I correct in believing that the Pacific Gas & Electric Co. was formerly an account of the National City Co.?

Mr. RUSSELL. Yes, sir.

Mr. NEHEMKIS. And do you recall whether the Anaconda Copper Co. account was also once associated with the National City Co.?

Mr. RUSSELL. Yes, sir.

Mr. NEHEMKIS. Could you tell me some of the other important accounts that had been handled by the City Co. prior to its dissolution?

Mr. RUSSELL. Consolidated Edison Co.

Mr. NEHEMKIS. That was formerly known as Consolidated Gas Co.?

Mr. RUSSELL. Yes, sir.

Hershey Chocolate Corporation, National Steel Co., Container Corporation, United Aircraft, and others. I don't remember.

Mr. NEHEMKIS. Do you recall whether the Firestone Tire & Rubber Co. was?

Mr. RUSSELL. Yes, sir.

Mr. NEHEMKIS. That was a National City account?

Mr. RUSSELL. Yes, sir.

Mr. NEHEMKIS. How about the Boeing Airplane Co.?

Mr. RUSSELL. Well, I included that in the United.

Mr. NEHEMKIS. I see. But the financing had been really separate, hadn't it, for both the companies?

Mr. RUSSELL. Well, I think originally it was combined, and then it was separated.

Mr. NEHEMKIS. And United Air Lines Transport Corporation?

Mr. RUSSELL. Well, that was separated.

Mr. NEHEMKIS. And the Virginian Railway Co.?

Mr. RUSSELL. Yes.

Mr. NEHEMKIS. Wasn't that an account?

Mr. RUSSELL. Yes, sir.

Mr. NEHEMKIS. Now, can you tell me who in the banking field has financed recently some of these old National City accounts? Let me start with the first one we talked about, Pacific Gas & Electric. The first financing after the passage of the Banking Act was under the leadership of what banking firm?

Mr. RUSSELL. Lazard Frères & Co.

Mr. NEHEMKIS. And Anaconda Copper?

Mr. RUSSELL. Blyth & Co.

Mr. NEHEMKIS. And National Steel?

Mr. RUSSELL. Kuhn, Loeb & Co.

Mr. NEHEMKIS. And Hershey?

Mr. RUSSELL. They have had none.

Mr. NEHEMKIS. And what about Container Corporation?

Mr. RUSSELL. They have had none.

Mr. NEHEMKIS. And how about the United Aircraft Corporation?

Mr. RUSSELL. I think Brown Harriman and G. M.-P. Murphy took that business.

Mr. NEHEMKIS. And do you recall who has done any financing for Firestone Tire & Rubber Co.?

Mr. RUSSELL. Brown Harriman and I think Otis & Co.

Mr. NEHEMKIS. And the Virginian Railway Co.?

Mr. RUSSELL. Brown Harriman.

Mr. NEHEMKIS. I think you mentioned that Consolidated Gas had been a National City account. Who has handled that financing? Who has been the leader?

Mr. RUSSELL. Morgan Stanley & Co.

Mr. NEHEMKIS. Let me ask you which accounts of those that we have been speaking of have been underwritten by your firm, Lazard Frères. Pacific Gas & Electric?

Mr. RUSSELL. That is one.

Mr. NEHEMKIS. Just that one?

Mr. RUSSELL. That is correct.

Mr. NEHEMKIS. How did it happen that the Pacific Gas & Electric account went to Lazard? Who was responsible for bringing that account to your firm?

Mr. RUSSELL. I presume I was.

Mr. NEHEMKIS. And would you hazard a guess as to how it happened that Firestone and Boeing Airplane and United Aircraft and Transport Co., and I believe you also said the Virginian Railway Co., found themselves with the firm of Brown Harriman & Co.?

Who was responsible, would you say, for bringing those accounts to that firm?

Mr. RUSSELL. Mr. Ripley had the contact with all of those accounts, except the Virginian Railway, which was a contact of Mr. Davis.

Mr. NEHEMKIS. Mr. Davis being a vice president of Brown Harriman, now Harriman Ripley & Co.?

Mr. RUSSELL. Correct.

Mr. NEHEMKIS. So that all of those accounts that we referred to that went to Harriman Ripley were brought there by Mr. Joseph Ripley, who had the contacts with his accounts, or Mr. Davis, who had the contact with the Virginian Railway, if I understand that correctly?

Mr. RUSSELL. That is my opinion.

Mr. NEHEMKIS. And how did it happen that Anaconda Copper Mining Co. went to Blyth & Co.?

Mr. RUSSELL. Because Mr. Mitchell had the contact, primarily.

Mr. NEHEMKIS. Mr. Mitchell, as president of the National City Co., had been primarily responsible for that?

Mr. RUSSELL. Yes.

Mr. NEHEMKIS. So when he went to Blyth as chairman of the board, that account went with him; is that correct?

Mr. RUSSELL. That is correct.

Mr. NEHEMKIS. Mr. Russell, am I correct in understanding that the Pacific Gas & Electric account had once, in the early days, been an account of Halsey, Stuart; that is, before it came to the National City Co.?

Mr. RUSSELL. I don't know whether that is true or not.

THE PACIFIC GAS & ELECTRIC CO. ACCOUNT.

Mr. NEHEMKIS. Did the account come to the National City Co. about 1919; do you recall?

Mr. RUSSELL. I would place it at 1920; I am not sure.

Mr. NEHEMKIS. About 1920. You became at the very early stage of that business closely connected with its financial problems, did you not, Mr. Russell?

Mr. RUSSELL. I did.

Mr. NEHEMKIS. And for many years you had enjoyed a close relationship with the then president of P. G. & E., Mr. Hockenbeamer?

Mr. RUSSELL. First with Mr. Creed, the president, and later with Hockenbeamer.

Mr. HENDERSON. May I ask Mr. Hockenbeamer's position with P. G. & E.?

Mr. RUSSELL. Originally vice president and treasurer; later, on Mr. Creed's death, he became president.

Mr. HENDERSON. When he was vice president and treasurer, did he handle most of the negotiations for financing?

Mr. RUSSELL. He and Mr. Creed did.

Mr. NEHEMKIS. So that, Mr. Russell, until the break-up of the National City Co., all P. G. & E. business was handled by the National City Co. and by you as the vice president in particular?

Mr. RUSSELL. Not entirely by me, but largely by me.

Mr. NEHEMKIS. But you were generally considered among your colleagues as the expert in charge of that particular financing. It was generally felt that you knew more about it than the other men.

Mr. RUSSELL. That is true.

Mr. NEHEMKIS. You had perhaps lived with it longer than the others. As a matter of fact, you had actually drafted or assisted in drafting the first P. G. & E. mortgage, hadn't you?

Mr. RUSSELL. That is correct.

Mr. NEHEMKIS. Mr. Russell, will you look at this memorandum which purports to bear your initials and tell me whether this comes from the files of Lazard Frères?

Mr. RUSSELL. Yes, sir.

Mr. NEHEMKIS. I offer the document identified by the witness in evidence. It is a memorandum entitled "Pacific Gas & Electric Co., Official—Confidential," dated October 2, 1934, signed "S. A. Russell."

May I read a passage from that memorandum?

Mr. Hockenbeamer recognized my long standing acquaintance with his situation, dating from the first operation under his present mortgage, including the drafting of that mortgage—

Mr. RUSSELL (interposing). I beg your pardon. I think that is a different memorandum from the one you are reading.

Mr. NEHEMKIS. You are correct. My associate handed me a different memorandum. I withdraw that, Mr. Chairman. May I have it back, please? So that the record may be correct, I shall ask you to identify this memorandum which I now hand you. Was that memorandum prepared by you, and does it come from the files of Lazard Frères?

Mr. RUSSELL. It does.

Mr. NEHEMKIS. I offer in evidence, Mr. Chairman, a memorandum entitled "Pacific Gas & Electric Co.," dated September 22, 1934, signed "S. A. Russell."

Acting Chairman REECE. It may be admitted.

(The memorandum referred to was marked "Exhibit No. 1598" and is included in the appendix on p. 11648.)

Mr. NEHEMKIS. In view of the fact, Mr. Russell, that you had been so closely associated with the earlier financing of P. G. & E., that it had been regarded as an account which you were personally familiar with, it was not unnatural that after the dissolution of the City Co. when you became associated with Lazard Frères, that you should have some claims, perhaps, on that business?

Mr. RUSSELL. Well, I wouldn't express it as a claim. I had hopes that my relationship with Mr. Hockenbeamer could be realized for the firm of Lazard Frères & Co., and in a very tangible way.

Mr. NEHEMKIS. You have already identified a memorandum which I had offered before the other one.

Mr. RUSSELL. Yes.

Mr. NEHEMKIS. I now offer in evidence, and I will repeat the title so that the reporter may have it correct, a memorandum entitled "Pacific Gas & Electric Co., Official—Confidential," dated October 2, 1934, and initialed "S. A. R."

Acting Chairman REECE. It may be admitted.

Mr. NEHEMKIS. Mr. Chairman, may it please the committee, I should like to read to you from that memorandum [reading from "Exhibit No. 1599"]:

Today I lunched with Mr. George Leib of Blyth & Co. at his request. After luncheon he wanted to see our offices and in my room before leaving expressed great friendliness and a desire to cooperate in successful business whenever possible. At this point, I commented that we felt the same way and that one

of these days we might sit down and discuss the P. G. & E. situation, whereupon he said that was a matter concerning which I should talk with Mr. Hockenbeamer. He indicated that he had talked with Mr. Hockenbeamer when he was on the Coast about two weeks ago. He also mentioned that Mr. Hockenbeamer was here for a few days recently, whereupon I said that Mr. Hockenbeamer had come in to see me and we had discussed the situation. He,—

Meaning Leib—

apparently, was not aware that Mr. Hockenbeamer was in to see me. He thereupon went on to say that, of course, I knew then that no financing was contemplated for this year and it might be some time before financing was done. He further commented that of course we, meaning Lazard Frères & Co., Inc., should be in the account, and stated that Mr. Hockenbeamer had a great liking for me. However, at this point, he also said that he supposed it would be a 'free for all' like a lot of other things.

Mr. Leib, I take it, did not feel at this time that your prior association and affiliation with that account gave you any special priorities and that whoever got the business would get it.

Mr. RUSSELL. You had better ask Mr. Leib.

Mr. NEHEMKIS. I think we shall have an opportunity to do so, Mr. Russell [reading further from "Exhibit No. 1599"]:

The plain deduction from this comment is, in my mind, that they expect or hope to get a leading position, if not the leading position, in the handling of this business, but, as he went away, he said we are still, of course, good friends. I conclude, therefore, we should not raise the question of P. G. & E. financing with the firm of Blyth & Co. unless they do so with us. Our objective should be to develop the situation directly with Mr. Hockenbeamer and others interested in the Company even despite the fact that Blyth & Co. have the strongest position on the Pacific Coast of anyone.

Do you consider, Mr. Russell, that you were really responsible for bringing the P. G. & E. account to Lazard Frères?

Mr. RUSSELL. Why, I think so.

(The memorandum referred to was marked "Exhibit No. 1599" and is included in the appendix on p. 11648.)

FUTURE DISPOSITION OF NATIONAL CITY COMPANY ACCOUNTS

Mr. NEHEMKIS. Do you recall, Mr. Russell, following the enactment of the Banking Act, whether there had been any conferences between yourself and other officers of the National City Co. concerning the future disposition of some of the City Co. accounts? You may have heard Mr. Ripley testify on that.

Mr. RUSSELL. I don't recall that.

Mr. NEHEMKIS. You recall no such conversations. Did you yourself have any conversations with any of your fellow officers concerning the future disposition of National City business?

Mr. RUSSELL. I recall none.

Mr. NEHEMKIS. You and Mr. Ripley might have been considered as having been two of the major executive officers of the City Co. at the time?

Mr. RUSSELL. Probably.

Mr. NEHEMKIS. Do you recall having any discussions with Mr. Ripley concerning the future disposition of City Co. business?

Mr. RUSSELL. No.

Mr. NEHEMKIS. Now, Mr. Russell, isn't it a fact that you did have an agreement with Joseph Ripley concerning the disposition of National City business?

Mr. RUSSELL. It is not a fact.

Mr. NEHEMKIS. Mr. Russell, you have been good enough to stipulate concerning a number of documents obtained from your files which were made available to us, and in lieu of asking you to identify each and every one I am going to ask you to identify this stipulation. This is the stipulation dated December 13, 1939, which you have entered into, is it not?

Mr. RUSSELL. Yes, sir.

Mr. NEHEMKIS. These are the documents concerning which you have stipulated?

Mr. RUSSELL. Yes, sir.

Mr. NEHEMKIS. Will you read the stipulation?

Mr. RUSSELL. Yes, sir.

Mr. NEHEMKIS. That is correct?

Mr. RUSSELL. Yes, sir.

Mr. NEHEMKIS. Mr. Chairman, I offer the documents enumerated in the attached stipulation in evidence.

Acting Chairman REECE. Do you wish these to be printed?

Mr. NEHEMKIS. Yes.

Acting Chairman REECE. They may be admitted.

(The documents referred to were marked "Exhibits Nos 1600-1 to 1600-16," and are included in the appendix on pp. 11649-11659.)

Mr. NEHEMKIS. I have no further questions of the witness, Mr. Chairman, and I should like at this time to call Mr. George Leib.

Acting Chairman REECE. Do the members of the committee wish to ask any questions?

Thank you, Mr. Russell.

Mr. NEHEMKIS. If it is not too inconvenient, will you remain in the room, although you are dismissed at this time?

Mr. RUSSELL. Yes, sir.

Mr. NEHEMKIS. Mr. George Leib, please.

Acting Chairman REECE. Do you solemnly swear that the testimony you are about to give in this procedure shall be the truth, the whole truth, and nothing but the truth, so help you God.

Mr. LEIB. I do.

TESTIMONY OF GEORGE C. LEIB, VICE PRESIDENT AND DIRECTOR, BLYTH & CO., INC., NEW YORK, N. Y.

Mr. NEHEMKIS. Mr. Leib, will you state your full name and address, please?

Mr. LEIB. My home address?

Mr. NEHEMKIS. Yes.

Mr. LEIB. George C. Leib, 625 Park Avenue, New York City.

Mr. NEHEMKIS. And will you state your present business connection, Mr. Leib?

Mr. LEIB. Vice president of Blyth & Co.

Mr. NEHEMKIS. Was not Blyth & Co. organized in 1914 by Charles Blyth and yourself?

Mr. LEIB. And several others.

Mr. NEHEMKIS. It was at that time primarily a Pacific Coast house, was it not?

Mr. LEIB. It started in San Francisco.

Mr. NEHEMKIS. And it had offices in San Francisco and Chicago, and I believe in New York and some other cities?

Mr. LEIB. It started in San Francisco and then it extended its offices over through the country gradually, year by year.

Mr. NEHEMKIS. Now, at this time, that is to say, 1914, did Harrison Williams have any stock interest in Blyth & Co.?

Mr. LEIB. He did not.

Mr. NEHEMKIS. Who, by the way, is Harrison Williams? Will you tell me who he is? Identify him for me.

Mr. LEIB. Mr. Harrison Williams is a very prominent public-utility executive, a very prominent holder of securities of various public-utility companies and investment trusts. I think he is on the executive committee of the North American Co. Whether he has any official title in the North American Co. I do not know.

Mr. NEHEMKIS. Has Mr. Harrison Williams at any time had any stock interest in Blyth & Co.?

Mr. LEIB. Never.¹

Mr. NEHEMKIS. Will you give me, if you will, Mr. Leib, the names of the officers of Blyth & Co.?

Mr. LEIB. I have not the names here. There are about twenty, I would say 25.

Mr. NEHEMKIS. Will you glance at the sheet I am about to show you and if you agree that these are the names of the officers and directors of Blyth & Co., will you read them.

Mr. LEIB. Yes, indeed. Those are they. Do you wish me to read them?

Mr. NEHEMKIS. Would you?

Mr. LEIB. Chairman of the board, Mr. Charles E. Mitchell; president, Mr. Charles R. Blyth; and there is a group of about 10 or 12 vice presidents, consisting of George Leib, Roy L. Shurtleff, Thomas H. Boyd, Eugene Bashore, Stewart S. Hawes, Horace O. Wetmore, James G. Couffer, Bernard W. Ford, Lee M. Limbert, Donald N. McDonnell, Donald Royce, A. E. Ponting, David T. Babcock, Mansel P. Griffiths, J. Lawrence Pagen, Robert L. Osswalt. Those are the names.

Mr. NEHEMKIS. Thank you very much.

Mr. NEHEMKIS. About 1933, did you not have occasion to take direct charge of your New York office?

Mr. LEIB. In 1933, I came back to New York as one of the active executives in the New York office. It was never, as far as I know, designated that I was in charge of the New York office. I had been with the firm longer than anyone in the New York office and as such I might have been considered senior, but I was certainly not in charge of many of the activities in the New York office except in a very general way.

C. E. MITCHELL JOINS BLYTH & CO., INC.

Mr. NEHEMKIS. Now, 1933 was also the year which witnessed the passage of the Banking Act. That meant, did it not, Mr. Leib, that certain individuals that formerly had commercial banking connections would be free to make new connections with investment banking firms?

Mr. LEIB. That is correct.

¹ Mr. Leib subsequently corrected this answer. See "Exhibit No. 1757," introduced on December 19, 1939, and included in appendix, p. 11659.

Mr. NEHEMKIS. And about the time that you came to your New York office for the purposes which you have described, you began looking about for an individual to take into the firm, someone who had broad contacts on the street, a person who knew, shall we say, the "deer runs" of the Wall Street district. Do you recall?

Mr. LEIB. I recall that our New York office had not made any headway and we were very active, very anxious to get someone in New York who could be helpful in developing eastern business. The word "deer runs" is a word I think you get from one of my letters. I may have used it. It means to be familiar with the investment banking activity as it exists in the East, just as we were with the investment activity existing in the West. That means to have personal contacts with the executives of the large companies of issue, to be familiar, to have known them for years, to have known the financial set-ups of a great many companies back here. That was what we were working to do, very assiduously.

Mr. NEHEMKIS. And you found that individual who knew, if I may again quote your excellent phrase, the "deer runs" of the Wall Street district, in the person of Charles E. Mitchell, did you not?

Mr. LEIB. He was found for us. Everywhere that we went, we would tell this story to our various friends around the street, asking their opinion as to who would be a good man to help develop this, and everywhere we kept getting high opinions of Charles E. Mitchell as a man of ability, and as a man of integrity, and as a man who did know the investment-banking business as it existed in the East, as a man who should be helpful in the development of an investment-banking business here in the East.

Mr. HENDERSON. Mr. Leib, you were the author of the term "deer run." I think yesterday Mr. Nehemkis said "deer runs and salt licks." Were you responsible for that, or is that something—

Mr. LEIB. "Salt licks" is foreign to me. I am glad to have it in my vocabulary.

Mr. NEHEMKIS. Now we have a situation where one who knows the investment-banking community has to also know the "deer runs" and the "salt licks." [Laughter.]

Mr. LEIB. I didn't say anything about the salt licks.

Mr. NEHEMKIS. What had been Mr. Mitchell's previous banking position, do you recall?

Mr. LEIB. In a general way. You can ask Mr. Mitchell when he comes down, but you have got it. He was head of the National City Co. for years and head of the National City Bank. Prior to that time he had his own investment banking business.

Mr. NEHEMKIS. And Mr. Mitchell became chairman of the board of Blyth & Co., did he not?

Mr. LEIB. That is correct.

Mr. NEHEMKIS. When you made Mr. Mitchell chairman of your board, did you have any knowledge of his relation to some of the partners of J. P. Morgan & Co., notably Mr. Harold Stanley and Mr. George Whitney?

Mr. LEIB. We knew Mr. Mitchell knew practically everyone of importance and standing in the investment banking business here in the East, and of course we knew that he knew Mr. Stanley and he knew Mr. George Whitney and so forth.

Mr. NEHEMKIS. Mr. Leib, did you regard this relationship as far as you were aware of it from your own personal knowledge as being a close one?

Mr. LEIB. Yes; we thought Mr. Mitchell's relations, as I said before, with all of the outstanding investment banking and banking fraternity in the East was a very close one.

Mr. NEHEMKIS. Now, do you consider it to be of significance that one should have a close relationship with Morgan Stanley because of its position in the underwriting business?

Mr. LEIB. I think Morgan Stanley—you are speaking of Morgan Stanley?

Mr. NEHEMKIS. My question was Morgan Stanley.

Mr. LEIB. It is a firm of high standing throughout the country, there are in it individuals of great ability who have had contacts with companies of issue for many years. Naturally, I think that a friendly relation with that firm is important, of course it is, just as it is with any other good firm.

Mr. NEHEMKIS. Mr. Leib, I show you a photostat copy of what purports to be an original document, a letter from Mr. Charles R. Blyth to Mr. George Leib, dated September 14, 1935. I ask you to examine this document and tell me whether it is a correct and true copy of an original in your files.

Mr. LEIB. It is a little longer than he generally writes, but it is a correct copy of the original.

Mr. NEHEMKIS. I ask that this document identified by the witness be admitted to the record.

Acting Chairman REECE. It may be received.

(The letter referred to was marked "Exhibit No. 1601" and is included in the appendix on p. 11660.)

Mr. NEHEMKIS. I want to read a short paragraph from this document, written to Mr. George Leib by his partner, Mr. Blyth.

It will be interesting to see how much of a relationship we shall have with Morgan, Stanley & Co.

So I take it, Mr. Leib, your west coast partner, Mr. Blyth, likewise felt, as you did, that having a close relationship with Morgan Stanley was important to a house, to any house, in the underwriting business?

Mr. LEIB. Mr. Blyth recognizes better than many bankers in the East the high standing that Morgan Stanley has on the coast, the dealer following they have out there, and he realizes the importance of that connection.

THE P. G. & E. FINANCING

Mr. NEHEMKIS. With the break-up of the bank security affiliates pursuant to the Banking Act of 1933, I take it that you were aware that there would be a certain amount of competition for the accounts of some of the former bank affiliates?

Mr. LEIB. We did.

Mr. NEHEMKIS. And that certain of the executive personnel associated with the old affiliates might endeavor to exert certain claims on the form of business of those affiliates, and might perhaps be in a position to make their claims stick?

Mr. LEIB. Is this a question?

Mr. NEHEMKIS. It was intended to be a question.

Mr. LEIB. I sort of lost it. You started over.

Mr. NEHEMKIS. We will have the reporter read it back. Will the reporter repeat the question to the witness?

(The question was read.)

Mr. LEIB. What am I supposed—did I think that?

Mr. NEHEMKIS. Did you think that?

Mr. LEIB. I have forgotten whether I thought that or not.

Mr. NEHEMKIS. As you review the situation now, did you think that might have been the situation at the time?

Mr. LEIB. I am not going to do any supposing, if you will pardon me.

Mr. NEHEMKIS. All right; we will proceed and let you keep to matters that you are clearly familiar with.

Now one of the accounts of the old National City Co. had been Pacific Gas & Electric, had it not?

Mr. LEIB. That is correct, and it had also been one of Blyth & Co.'s accounts. National City took it away from us.

Mr. NEHEMKIS. We will come to that in a moment.

Does P. G. & E., as far as you know, have any affiliation with any larger utility system?

Mr. LEIB. Yes, It has no affiliation but the North American Company owns about 2,000,000 shares of the Pacific Gas & Electric's five and one-half or six million shares.

Mr. NEHEMKIS. Was that true at the time we are discussing, 1933, roughly speaking?

Mr. LEIB. I would say "yes," if my memory is correct.

Mr. NEHEMKIS. Now you have already testified, I believe, that at this time Mr. Hockenbeamer was the president of P. G. & E.?

Mr. LEIB. That is correct.

Mr. NEHEMKIS. And I believe also that Mr. Russell has so indicated, to, in his testimony.

You also said a moment ago, if I recall, that Blyth & Co. had participated in some of the earlier financing of this company, that in fact it had been an account of Blyth & Co. and National City took it away?

Mr. LEIB. Correct.

Mr. NEHEMKIS. Am I correct that it was in 1919 that your house brought out an issue of preferred stock for P. G. & E.?

Mr. LEIB. Correct.

Mr. NEHEMKIS. And in 1931, you held second position, I believe, in the underwriting of the \$25,000,000 first and refunding mortgage gold bonds, series F?

Mr. LEIB. That is my recollection.

Mr. NEHEMKIS. Do you mind if I interrupt your testimony just for a moment and ask one of the members of my staff to identify certain documents?

Mr. LEIB. Not a bit.

Mr. NEHEMKIS. Mr. Lewis Evans, please. Mr. Evans, will you come forward and be sworn?

TESTIMONY OF LEWIS N. EVANS, ASSOCIATE ATTORNEY, SECURITIES AND EXCHANGE COMMISSION, WASHINGTON, D. C.

Acting Chairman REECE. Do you solemnly swear that the testimony you are about to give shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. EVANS. I do.

Mr. NEHEMKIS. Mr. Evans, you are a member of the staff of the Securities and Exchange Commission, are you not?

Mr. EVANS. I am.

Mr. NEHEMKIS. And in connection with certain investigations which you have made for the Investment Banking Section of the Commission you have had occasion, have you not, to examine the files of the City. Co. of New York, Incorporated, in dissolution, formerly the National City Co.?

Mr. EVANS. I did.

Mr. NEHEMKIS. I show you, Mr. Evans, two documents from the files of that company and ask you to tell me whether or not these documents were furnished to you by responsible officers of that company.

Mr. EVANS. This was a compilation made up by Mr. Law of that company.

Mr. NEHEMKIS. That is all, Mr. Evans, thank you.

Mr. Chairman, I offer in evidence two documents just identified by the witness, one pertaining to the \$25,000,000 Pacific Gas & Electric Co. financing of the first and refunding mortgage gold bonds, series F, due June 1, 1960, and offered in July of 1930, and the second pertaining to the offering of January 12, 1931. The leading company was the National City Co., with Blyth & Co. in second place. American Securities Co. in third, H. M. Byllesby & Co. of Chicago, fourth, E. H. Rollins of New York in fifth, Peirce, Fair & Co. of San Francisco in the sixth.

I would point out that these memoranda contain the following footnote:

J. P. Morgan & Company and the First National Bank of New York each were given a one-quarter interest in our participation.

I won't take your time at this moment to explain how that happened, as subsequent witnesses will go into that particular point at a later time.

I now offer these documents in evidence.

Acting Chairman REECE. They may be admitted.

(The documents referred to were marked "Exhibits Nos. 1602 and 1603" and are included in the appendix on pp. 11662 and 11663.)

Mr. NEHEMKIS. Is it correct, Mr. Leib, that from the last piece of financing that was referred to in those memoranda, the P. G. & E. engaged in no subsequent financing until the issue of 1935?

Mr. LEIB. That is correct.

Mr. NEHEMKIS. So that in 1935, when it was learned on the street that P. G. & E. was to undertake further financing, the question at once arose who would have the leadership over this financing?

Mr. LEIB. That is correct.

Mr. NEHEMKIS. I suppose we might put the question differently. Really, it was a question of who was to occupy the place formerly held by National City?

Mr. LEIB. Who was to head the business, that is correct.

Mr. NEHEMKIS. Now, Mr. Stanley Russell, I believe, testified that he had been particularly associated with P. G. & E. financing, and that he had enjoyed a close personal relationship with Mr. Hockenbeamer, the president of the company. So that, Mr. Leib, at the time when it first became clear that P. G. & E. was in the market for some financing, did you at that time believe that Russell would be able to exert a strong claim for the leadership of the business?

Mr. LEIB. It is a pretty competitive business and we knew Mr. Hockenbeamer held Mr. Russell in very high regard. He admired him tremendously, and when Mr. Russell went over to Lazard Frères we were confident in our own minds that Mr. Russell was going to attempt to bring that business to Lazard Frères, very naturally.

Mr. NEHEMKIS. Now at this period that we have been discussing, when you first became interested in the P. G. & E. financing—

Mr. LEIB (interposing). What period is that that we first became interested?

Mr. NEHEMKIS. 'Thirty-five.

Mr. LEIB. We have been interested in it from 1919 and we were leaders of two pieces of business, one in 1919 and one in 1920 as I remember.

Mr. NEHEMKIS. That is correct, but the previous questions and answers have led us to the point where you are now becoming aware that P. G. & E. is interested in some new financing, the first new financing since 1931.

Mr. LEIB. I see. Yes.

Mr. NEHEMKIS. So that at this period when you became interested again in possible P. G. & E. financing, were not various realignments taking place in the investment banking business? That is to say, the old security affiliates were out of business, some of their executive personnel had transferred to other firms? In short, wasn't the whole climate at that time one largely of forming new groups and solidifying old established groups?

Mr. LEIB. The business was in a state of flux.

Mr. NEHEMKIS. Weren't problems of that character being considered by officers of your company as they probably were by officers and partners of other houses?

Mr. LEIB. You mean, as to who was to head the Pacific Gas & Electric business?

Mr. NEHEMKIS. And who was to head any other accounts and who would have the leadership, and so on, and what readjustments were being made?

Mr. LEIB. They were being considered actively at that time.

Mr. HENDERSON. Anaconda was one of those?

Mr. LEIB. Anaconda was one of those.

Mr. NEHEMKIS. Had not some of your fellow officers felt Mr. Ripley had claimed to have inherited the old National City Co. business?

Mr. LEIB. I do not know what my fellow officers thought. I never personally heard Mr. Ripley ever claim that he inherited any of the National City business. Maybe he did claim it, but my recollection is never to have heard it.

Mr. NEHEMKIS. In 1936, was Mr. Eugene M. Stevens a vice chairman of Blyth & Co.?

Mr. LEIB. He was.

Mr. NEHEMKIS. I show you two letters, of which I have photostat copies, purporting to have been written by Eugene M. Stevens, and I ask you to examine the signatures of those copies and tell me whether you believe them to be true and correct copies, and whether they bear the signatures of Mr. Stevens.

Mr. LEIB. Those are Mr. Stevens' signatures; yes.

Mr. NEHEMKIS. I offer these two letters identified by the witness in evidence.

Acting Chairman REECE. They may be admitted.

(The letters referred to were marked "Exhibits Nos. 1604 and 1605" and are included in the appendix on pp. 11665 and 11666.)

HEIRSHIP OF NATIONAL CITY CO. BUSINESS

Mr. NEHEMKIS. Mr. Chairman, may I read to you from these letters which I have just offered in evidence? This is a letter from Mr. Eugene M. Stevens, a vice president of Blyth & Co., to Mr. Harris Creech, president, Cleveland Trust Co., Cleveland, Ohio, dated April 14, 1936; and I read from the bottom of the first page [reading from "Exhibit No. 1604"]:

As a matter of fact, no New York firm has inherited the right to the National City Company business. Brown, Harriman & Co. have in their organization a number of former National City men, but Brown Bros., Harriman & Co., the banking firm who started their investment banking business with a union of former Brown Bros. and National City men, paid nothing to the National City stockholders for the Company's good will, and have positively no claim of inheritance. Other investment banking firms, also, are now manned by former National City men, including our own firm—not only in New York but scattered across the country. As I have said, Mr. Mitchell, the Chairman of our Board, was formerly the head of the National City Company and of the National City Bank, and is responsible for the development of the National City Company from a three man personnel to a point where it had become the largest organization of its kind in the country, all of which was entirely under his leadership. He, in fact, was ultimately responsible for the negotiation and consummation of the pieces of financing which the National City Company did. It would definitely appear, therefore, that if there is any claim for the National City business as a heritage, that we could make such a claim—perhaps on better grounds than any other investment banking firm.

I remember this point came up in our discussion and I am giving you this definite information in regard thereto.

Mr. HENDERSON. Mr. Nehemkis, how large was that volume of financing which National City had before the divorcement?

Mr. NEHEMKIS. It was—

Mr. HENDERSON. Wasn't that in the record yesterday?

Mr. NEHEMKIS. It was offered yesterday,¹ Mr. Commissioner, and as I recall it, in 1926 it was well over 50 percent of all originations and participations by all bank affiliates. But perhaps one of my associates can furnish me with that particular exhibit, so that I can be more precise.

Mr. AVILDSSEN. The statement says 54.1 percent for 1927 for the National City Co., a bank-affiliate origination.

Mr. HENDERSON. How large would that be?

Mr. AVILDSSEN. Here is the statement.

¹ "Exhibit No. 1534," appendix, p. 11611.

Mr. HENDERSON. That was \$408,000,000 for 1927, and in 1930 it was \$227,000,000 even though at that time it was only 12 percent of the originations of bond issues. It was a pretty big field you were scrapping for, wasn't it?

Mr. LEIB. Yes. Could I say a word about Mr. Stevens? He was the head of the Federal Reserve Bank in Chicago for quite a few years. He was only with us about a year, and he died very suddenly. He was trying very hard to get this Firestone business for Blyth & Co. Mr. Mitchell was also trying hard, but the personal relationship between Mr. Ripley and the Firestone people was so strong that we lost out, and Harriman Ripley got the business.

Mr. NEHEMKIS. I was just about to ask if I might read to you, Mr. Chairman, a passage from another letter which was just introduced.¹ This is a letter again from Mr. Stevens to Mr. Creech.

Mr. HENDERSON. Mr. Leib, you wanted an opportunity to say something, or had you finished?

Mr. LEIB. I am all finished, yes; thank you.

Mr. NEHEMKIS [reading from "Exhibit No. 1605"]:

You will recall that I went down to see Shea in the latter part of July, and he advised me that the whole matter was deferred,—

I take it that means the Firestone financing, Mr. Leib?

Mr. LEIB. Yes.

Mr. NEHEMKIS (continuing reading)—

but with the implication that he felt that he had certain obligations to another banking house, which I am quite sure was Brown, Harriman & Company. This, you will remember, appeared to be based on Joe Ripley of Brown Harriman having sold Shea on the idea that Brown Harriman had inherited the National City business. This, of course, is not a correct assumption, as neither Brown Harriman nor anyone else has ever paid a dollar to the National City Company for its good will. Whatever there was of inheritance, and certainly from the standpoint of the individuals concerned, we should inherit the business more fully through Mr. Mitchell and others in our firm than any other banking house.

Mr. LEIB. Again, I say, the man who wrote that letter, Mr. Stevens, was only with us a year or so. He assumes there that Mr. Ripley claimed that heritage. I never knew that he did claim that inheritance. I think he got the business purely on his ability and past financing, which he had done so successfully.

Mr. NEHEMKIS. Mr. Leib, I show you a photostat copy of a letter written by you to Mr. James Black, dated February 21, 1935. I ask you to tell me whether this is a true and correct copy of an original letter in your files.

Mr. LEIB. It is.

Mr. NEHEMKIS. Mr. Chairman, may it please the committee, I offer the letter identified by the witness in evidence.

Acting Chairman REECE. It may be admitted.

(The letter referred to was marked "Exhibit No. 1606" and is included in the appendix on p. 11666.)

Mr. NEHEMKIS. I read from the letter:

February 21, 1935—

Mr. Leib, as we go along in here, will you help me—

As you know, Elsey—

¹ "Exhibit No. 1605," appendix, p. 11666.

Mr. LEIB. Mr. Elsey is the president of the American Trust; he was the president of the American Trust.

Mr. NEHEMKIS (reading further):

As you know, Elsey and the American Trust would like to have us heirs to their sixteen percent interest in the Pacific Gas business.

Now, the American Trust was one of the participants in the old financing?

Mr. LEIB. Correct.

Mr. NEHEMKIS [reading further from "Exhibit No. 1606"]:

This, coupled with our historic connection with the business, would appear to entitle us to head this account, particularly in view of the fact that the old National City Company has no heir (according to public statement of its President, James Perkins); and further in view of the fact that even if there is a heir, the legacy has been split between Brown Harriman and Lazard Frères.

Now, your reasoning, then, I take it, was that with the American Trust 16 percent interest plus the Blyth former 22 percent interest, you had the largest single claim on the business?

Mr. LEIB. Well, I wouldn't say that was quite my reason. It is a very competitive business, as you know. We were using every effort that we could to build up our position to head that business. The American Trust Co. could not do any underwriting business, so we went to Mr. Elsey and we asked him, in view of the fact that he could not do it, would he be helpful to us in letting us say that he would like to have us have his share of the business. He had no authority to do that. We had no authority to ask him to do it. We did it simply as another piece of twine making a rope to pull ourselves into the leadership of that business.

As to the supposition about the legacy, I do not think there was any legacy. Why I put that in there I couldn't tell you.

Mr. NEHEMKIS. You were apparently referring to the statement in Mr. Perkins' letter which was offered here in evidence yesterday, in which he said, I will quote it at this time:¹

In so far as it—

Meaning goodwill—

may be represented by personnel trained in the investment-banking business. such personnel consist of free individuals whom the City Company is not in a position to deliver to a prospective purchaser.

Mr. LEIB. That is it.

Mr. NEHEMKIS. In the next statement you state—that even if there is an heir, the legacy has been split between Brown Harriman and Lazard Frères.

Was there to your personal knowledge, Mr. Leib, such an understanding between those two houses with respect to the allocation of all National City Co. business?

Mr. LEIB. There was not.

Mr. NEHEMKIS. What was the basis of your statement—that "even if there is an heir, the legacy has been split between Brown Harriman and Lazard Frères?"

Mr. LEIB. I don't think that is a statement, Mr. Nehemkis. I think that is a supposition. Why I put it in there I couldn't tell you.

¹ "Exhibit No. 1528," appendix, p. 11606.

Mr. HENDERSON. We have had, Mr. Leib, people from other businesses say that that is for its literary value.

Mr. LEIB. I don't think it has any literary value. I would say just the reverse.

Mr. NEHEMKIS. It has no significance whatsoever?

Mr. LEIB. It has no value.

Mr. NEHEMKIS. May I continue with this letter, Mr. Leib [reading from "Exhibit No. 1606"]:

Giving no consideration to Hock's personal feelings—

Hock being Hockenbeamer, president of P. G. & E.?

Mr. LEIB. Yes.

Mr. NEHEMKIS [reading further]:

for Stanley Russell, the following syndicate would seem to us to be the logical syndicate, and one in which the interests of the Pacific Gas & Electric Company would be best served:

	<i>Percent</i>
Blyth & Co., Inc.....	37
Brown, Harriman & Co.....	19
Lazard Frères.....	19
First Boston Corporation.....	7½
E. B. Smith & Co.....	7½
Witter & Company.....	5
E. H. Rollins & Sons.....	5

In this account, you will notice that I have simply taken the old National City percentage interest and divided it between Brown Harriman and Lazard Frères, which is the only possible, fair treatment to be given to this situation.

Now, were the figures that you arrived at and the division between these houses likewise a matter of mere supposition, or was there some basis?

Mr. LEIB. No; there was no basis. Brown Harriman and Lazard Frères—the men in those two concerns were men of ability, they had been connected with the Pacific Gas & Electric financing for many, many years; they were both houses of capital and houses of standing. It obviously was best for the interests of Pacific Gas & Electric Co. that those houses be in the business. They had a historical knowledge of the business. They knew where many of the securities were placed, through their own organizations, and not to have given them a good position in the account would have been hurtful to the account in our opinion. Why they were in 19—19, that seemed like a simple figure, 19 percent for each. It might as well have been 18 or 17 or 22. That was just my own personal idea which I was trying to get over to Mr. Black.

Mr. NEHEMKIS. May I ask at this point why you were writing at all to Mr. Black about this matter? Who was Mr. Black, and why should he have been interested in this matter in the first place?

Mr. LEIB. Again I go back to the statement that this is a competitive business, Mr. Nehemkis, and we were trying to get a piece of business. James Black was the vice president of the North American Co. We were trying very hard to get Mr. Black to influence Mr. Hockenbeamer to turn that business over to us. We were unsuccessful in doing it. We thought at times that we were making headway with Mr. Black, but then it would fall down and they would go back on their policy of not interfering with the companies in which they own an interest, and this was but one of innumerable

efforts we made to influence Jim Black in our firm, just as we went to Mr. Elsey of the American Trust and tried to influence him. We tried to influence everyone we could to help us get this business.

Mr. MILLER. Mr. Leib, had Mr. Black been an officer or an executive in the Pacific Gas Co. before?

Mr. LEIB. He had been an officer in one of the component parts of Pacific Gas, that is, the Western Power. He had been a very active officer, and when Western Power was purchased by Pacific Gas & Electric for two million shares of its common stock, Mr. Black went with the North American Co., but he was very familiar with the operating conditions and the personnel of the Pacific Gas & Electric Co., as he had been first a competitor and then his organization had gone in.

Mr. O'CONNELL. Was Mr. Black connected with the Pacific Gas at the time this letter was written?

Mr. LEIB. No; he was not.¹

Mr. HENDERSON. The North American, I think you said, had two million shares?

Mr. LEIB. Had approximately two million shares of the Pacific Gas.

Mr. HENDERSON. Out of how many?

Mr. LEIB. In round figures, six million.

THE FIRST P. G. & E. FINANCING—1935

Mr. NEHEMKIS. Mr. Leib, prior to this first offering, that was the \$45,000,000 series G 4 percent bonds by P. G. & E., as I recall it, there had been scarcely any major utility financing up to this time?

Mr. LEIB. I think only one or two pieces.

Mr. NEHEMKIS. So that for all practical purposes the P. G. & E. offering of 1935 was the first major piece of utility financing in 1935?

Mr. LEIB. That is correct.

Mr. NEHEMKIS. And it was your firm in association with other firms that was responsible for bringing that piece of business out?

Mr. LEIB. That is correct; the syndicate brought it out, headed by Lazard.

Mr. NEHEMKIS. That was my understanding. At this time, was not Stanley Russell also active in negotiations with Mr. Hockenbeamer for leadership over this financing?

Mr. LEIB. I am sure he was. Not to my knowledge, but I am sure he was.

Mr. NEHEMKIS. I show you, Mr. Leib, a telegram dated February 15, 1935, from yourself to your California partner, Charles R. Blyth. This is a photostatic copy, and I ask you to tell me whether it is a true and correct copy of an original in your custody and possession?

Mr. LEIB. That is 2 months before this letter, isn't it?

Mr. NEHEMKIS. That is right.

Mr. LEIB. The letter is April 14 and this is February. That is correct.

Mr. NEHEMKIS. I offer this telegram in evidence, Mr. Chairman.

Acting Chairman REECE. It may be admitted.

(The telegram referred to was marked "Exhibit No. 1607" and is included in the appendix on p. 11667.)

¹ Mr. Leib subsequently informed the committee that Mr. Black was a director of Pacific Gas & Electric Co. at that time. See *infra*, p. 11510.

Mr. NEHEMKIS. May I read from it? Will you again, Mr. Leib, help me in identifying some of the individuals mentioned [reading from "Exhibit No. 1607"]?

Patterson states Frank Anderson—

Who are those two individuals?

Mr. LEIB. Patterson was an employee of Blyth & Co. at that time. Mr. Anderson was chairman of the board of the Bank of California at San Francisco.

Mr. NEHEMKIS (reading further):

Patterson states Frank Anderson talked to him in California about value of California banking houses to California underwritings and deplored occasional invasion of California business by eastern houses. Would it—

Mr. Chairman, this is a telegram written rather cryptically. May I take the liberty of inserting occasional words so that the clarity is plain?

Acting Chairman REECE. I think that is permissible.

Mr. NEHEMKIS (reading further):

Would it possible for you to telephone him and solicit his advice regarding his business? Possibly Bernard—

That is Bernard—

Mr. LEIB (interposing). That is Bernard Ford.

Mr. NEHEMKIS (reading further):

Possibly Bernard could telephone C. O. G.—

That is C. O. G. Miller, one of the directors of P. G. & E.?

Mr. LEIB. Correct.

Mr. NEHEMKIS (continuing to read from "Exhibit No. 1607"):

on same basis. I believe both these men would be flattered and keenly interested helping us obtain senior position this business. Certainly it would allow us say to Russell we would like delay for few days in order have additional conversations with Anderson and Miller and I don't think Hock—

Meaning Hockenbeamer—

would insist upon closing if he knew those conversations going on between them and us. Seems to us we have everything to gain by delaying for week or so and nothing to lose. Stop. Heading business and 37½% interest might be line along which we should fight for week or so. Only person who must have speed is Russell.

I take it by that you meant, Mr. Leib, that if Russell could keep his advantage he might have obtained the leadership, but if the negotiations could be prolonged, other forces perhaps might intervene and crowd him out?

Mr. LEIB. Russell—you are correct—Russell had the advantage at that time and we figured that delay would be in our favor. However, Mr. Russell held his advantage and got the business.

Mr. NEHEMKIS (reading further from "Exhibit No. 1607"):

Will advise you soon as we hear from Fogarty.

Who is Fogarty?

Mr. LEIB. Mr. Fogarty was another man we were trying unsuccessfully to influence in our favor. He is the head of the present North American Co., at least he was at that time. We were talking with him, as I recall it, I was talking with him, telling him of the reasons, as I saw them, why Blyth & Co. should be selected over anyone else

to head that business. I was hoping that Mr. Fogarty would be helpful to us, but he was not.

Mr. NEHEMKIS. Mr. Leib, I show you a photostatic copy of what purports to be a letter written by Charles Blyth to you, dated February 16, 1935. I ask you to tell me whether this is a true and correct copy of an original in your possession?

Mr. LEIB. It is.

Mr. NEHEMKIS. The letter is offered in evidence.

Acting Chairman REECE. It may be admitted.

(The letter referred to was marked "Exhibit No. 1608" and is included in the appendix on p. 11668.)

Mr. NEHEMKIS. I should like to read one paragraph from that letter. You recall this is a letter from Charles Blyth, Mr. Leib's west coast partner [reading from "Exhibit No. 1608"]:

The fact is he—

Meaning Hockenbeamer—

Mr. LEIB. Correct.

Mr. NEHEMKIS (continuing):

and Stanley are close buddies. He considers Stanley and not the National City or anybody else the Banking agency which created the original mortgage and has acted in the financial interest of the Company ever since. He stated that to us yesterday and said Stanley knows more than any living person other than himself, about P. G. & E. financial matters. Hock also said, when we urgently agitated our heading the business that he had gone too far now with Stanley to reverse himself.

Mr. LEIB. I show you a photostatic copy of a telegram from yourself to Charles R. Blyth, dated February 19, 1935. Is this a true and correct copy of an original in your possession?

Mr. LEIB. Yes.

Mr. NEHEMKIS. The telegram is offered in evidence, Mr. Chairman. Acting Chairman REECE. It may be admitted.

(The telegram referred to was marked "Exhibit No. 1609" and is included in the appendix on p. 11669.)

Mr. NEHEMKIS. It reads as follows:

Charles R. Blyth % Blyth & Co. Inc., 215 W. 6th St., Los Angeles, Calif. Just came from long talk with Jim Black. I clearly outlined our position in whole matter Stop Off the record Jim thinks Brown Harriman attitude completely untenable.

Mr. Leib, what was the Brown Harriman attitude, and why was it completely untenable?

Mr. LEIB. Well, you will have to wait a second until I look this over. It doesn't come back to me.

Mr. NEHEMKIS. You glance at it. We will wait.

Mr. LEIB. My recollection of that is that Brown Harriman was insisting upon appearing in second position all over the country in the advertisement offering this first issue of Pacific Gas & Electric bonds. We felt very strongly that we should appear in second position. My memory is that by this time Stanley Russell had the business in hand and we had lost it. Therefore, we were arguing over the public appearance. As I remember it, Brown Harriman gave us an ultimatum to the effect that if they couldn't appear in second position, they would not appear, and we finally argued it out and compromised, as I remember, by Brown Harriman appearing in second

position east of the Mississippi, and Blyth & Co. appearing in second position west of the Mississippi, and Lazard appearing in first position all over the country.

Mr. HENDERSON. Mr. Lieb, is this order, of where the names appear very important?

Mr. LEIB. We consider it very important. The nearer the top——

Mr. HENDERSON. Is it something like the way the actors want their names placed in lights and the like? It is a business proposition, isn't it? Is it worth something to have second or first position as against third or fourth?

THE BENEFITS OF POSITION IN ADVERTISING

Mr. LEIB. The first position is the most important, because there you head the business, and the nearer you can get to the first position, the more important that is. It means you have the larger amount, and it is of importance; yes.

Mr. HENDERSON. That is, the distributors all over the country recognize the importance of that?

Mr. LEIB. I personally think that it is overemphasized, but it has gone down through the years in the investment banking industry that the nearer the top you can get, the better, and it is worth while fighting for.

Mr. HENDERSON. What prompted that question was that you said Brown Harriman served an ultimatum that if they didn't get second position they would drop out. That means they would give up that business?

Mr. LEIB. No; as I remember it, it means that they would not appear in the advertisement which would show their position in the business.

Mr. HENDERSON. They would take the cash and let the credit go, is that it?

Mr. LEIB. It may be. I have forgotten that argument. It comes back to me rather vaguely after 5 years, but I do not think it was anything of any moment.

Mr. O'CONNELL. If I understood you correctly, I should assume that the ultimatum would have been entirely acceptable to you, if they had dropped out of the business, and kept their percentage of the issue. Wouldn't that make your company in second position?

Mr. LEIB. Yes; that would seem to put us in a better position. Maybe they were going to drop out of all the business, I don't know. Maybe they said they wouldn't go in at all. I have forgotten.

Mr. MILLER. A few minutes ago I asked you about Mr. Black. Was he not a director of the Pacific Gas & Electric Co. at that time?

Mr. LEIB. I do not think so. My memory isn't clear, but I do not think he was a director. Was he, Mr. Nehemkis?

Mr. NEHEMKIS. I do not think he was.¹

Continuing with the telegram, Mr. Leib, I am now skipping some sentences [reading from "Exhibit No. 1609"]:

Think we should be able trade splendid deal with Russell regarding appearance, etc. because he certainly on weak ground not having single friend in court except Hock.

Now, who were your friends in court at this time?

¹ Mr. Black was a director at that time, see *infra*, p. 11570.

Mr. LEIB. I will never understand how we lost that. We had so many friends and he had so few, but we lost it. [Laughter.]

Mr. NEHEMKIS. Mr. Leib, I show you a photostat copy of a telegram which purports to have been written by yourself to Charles R. Blyth, dated February 19, 1935. Will you be good enough to tell me whether this is a true and correct copy of the original in your possession?

Mr. LEIB. It is.

Mr. NEHEMKIS. I ask that the telegram identified by the witness be received for the record.

Acting Chairman REECE. It may be received.

(The telegram referred to was marked "Exhibit No. 1610" and is included in the appendix on p. 11669.)

Mr. NEHEMKIS. I show you six telegrams from you and other of your officers. I ask you to examine these documents and tell me whether they are true and correct copies of originals in your possession.

Mr. LEIB. They are.

Mr. NEHEMKIS. I offer these documents in evidence.

Acting Chairman REECE. They may be admitted.

(The telegrams referred to were marked "Exhibits Nos. 1611-1 to 1611-6" and are included in the appendix on pp. 11669-11671.)

Mr. NEHEMKIS. Will the clerk hand back the telegram which was marked "Exhibit No. 1610"?

QUESTION OF AGREEMENT BETWEEN RIPLEY AND RUSSELL

Mr. NEHEMKIS. I am going to read to you, Mr. Leib, a telegram which you have just identified, and ask you to listen to it very carefully. This is addressed to Charles R. Blyth, Russ Building, San Francisco, Calif. [Reading from "Exhibit No. 1610"]:

I forgot to tell you that I told Brown Harriman yesterday that Russell had told us he had an agreement with them under which he would handle all of his own accounts. Sylvester * * *

That is an officer of Harriman Ripley—

said yes but the understanding was that if Hock wanted him to head account we were to have second position and equal percentage with Russell. In other words these two without any consideration of us simply took first two positions in business. It would serve them both right if we went in there and insisted upon heading business ourselves and I believe we could come awfully close to putting it over.

Mr. Leib, wasn't there some understanding between Brown Harriman, or rather Joe Ripley and Stanley Russell concerning which you advised your partner, Charles R. Blyth?

Mr. LEIB. Let me see that telegram, will you please? This has to do more with appearance than anything else. It may be that there was some understanding on the appearance. I can well imagine that somebody in Brown Harriman might have said to Mr. Russell, "You are so close to Hockenbeamer, he obviously wants to do the business with you, so God bless you. However, if you get the business away from Blyth & Co., don't forget our grand organization"—and words to that effect.

We didn't feel that way. We felt very close to the business ourselves and, notwithstanding Mr. Russell's closeness with Mr. Hocken-

beamer, we expected to go after the business. I can imagine they may have had a conversation along those lines, although I don't know.

Mr. NEHEMKIS. I read to you from your telegram, dated February 20, 1935, to your partner, Charles R. Blyth [reading from "Exhibit No. 1611-1"]:

Reason Russell taking this position is because he had agreement about which he did not tell us that if Hock elected Lazard to head business then Brown was to have second position with equal percentage interest.

In other words, as I understand it, Mr. Leib, there were really two agreements or understandings. There was one on general City business and the second was on this specific deal.

Mr. LEIB. I know nothing of any such agreements, Mr. Nehemkis.

Mr. NEHEMKIS. You must have had some idea about it, because at this time you said:

Reason Russell taking this position is because he had agreement about which he did not tell us.

Possibly you don't remember at this time, but your wire would indicate that you may have had some knowledge at that time?

Mr. LEIB. That wire must have been to the effect that Mr. Russell said to me, going back five years, that "this business was my business and Hockenbeamer wants me to have the business and I am going after it, and no one else is going to get the business" and on that basis and that Mr. Hockenbeamer did want him to have the business, as was clearly evidenced by the after developments.

Brown Harriman might very well have said, "All right, good luck to you."

Apparently Mr. Russell must have told me that there was some understanding between Hockenbeamer and himself, that he was to get that business. I have forgotten.

Mr. NEHEMKIS. Were you here, by chance, yesterday afternoon when Mr. Joseph Ripley testified?

Mr. LEIB. I was not here; no.

Mr. NEHEMKIS. Let me read you from the transcript of that testimony:

Mr. NEHEMKIS. Mr. Ripley, was one of your fellow officers in the National City Co. Mr. Stanley Russell?

Mr. RIPLEY. Yes.

Mr. NEHEMKIS. Did you have an understanding with Mr. Stanley Russell concerning the participations that the National City Co. formerly had and as to what their future disposition might be?

Mr. RIPLEY. No.

Mr. NEHEMKIS. You had no understanding with Mr. Stanley Russell concerning the originations of the National City Co. and what their future disposition might be?

Mr. RIPLEY. No.

Mr. NEHEMKIS. So that you had, if I understand you correctly, no understanding concerning either National City Co. originations or participations?

Mr. RIPLEY. No understanding.

Mr. LEIB. What is the date on the telegram?

Mr. NEHEMKIS. February 20, 1935.

Mr. LEIB. You see, by that time Mr. Russell had the business. He was in constant conversation at that time, just as we were, with Brown Harriman. This must have to do with some understanding just 2 or 3 days after Russell had the business, between the time he

obtained the business and the time it was offered, because my recollection is very clear that never did Mr. Russell tell me that Brown Harriman had agreed to stay out of the business, that they were not going to compete for the business, and so forth. My memory is clear. I do not quite understand that telegram, but that telegram must refer to an agreement or to a conversation which Mr. Sylvester had—and I do not think Mr. Ripley had anything to do with it, Mr. Sylvester handles that kind of thing—the agreement they had which was just 3 or 4 days old. It does not date back for a year or 6 months or anything like that.

Mr. HENDERSON. You think it doesn't have anything to do with the division of accounts of the old National City?

Mr. LEIB. Mr. Henderson, I can't tell you how remote that is. I never heard it claimed in all the business we competed for, that we ever divided up any business.

Mr. HENDERSON. You are not clear how it crept into your telegram?

Mr. LEIB. It must have been an agreement of 2 or 3 days' standing after Russell had the business, or when he was competing vigorously for the business, Mr. Henderson, a week before or 2 weeks.

He may have had some conversation that he was going to get the business and Brown Harriman said, "We want our position," and he said, "You can have your position the same as mine, but I am going to head the business."

Mr. HENDERSON. Not to lay too much stress on Mr. Stevens' letter, but that was very clear as to what he thought about the matter, was it not?

Mr. LEIB. It was clear what he thought about the matter, but Mr. Stevens hadn't been in the investment business for more than a year. He had been in Federal Reserve banking for years.

Mr. HENDERSON. When you take the limited experience you say Mr. Stevens had and couple it with almost identical language appearing in your telegram, isn't it a fact that it does relate to that?

Mr. LEIB. I don't think so. It is very difficult to recall the circumstances surrounding a telegram after 5 years, as you know.

Mr. NEHEMKIS. I notice in gazing over the audience there is a witness in this room who I think can throw light on this problem.

Would you mind if we stopped for one moment? Mr. George Woods, will you take the stand, please?

Acting Chairman REECE. Do you solemnly swear the testimony you are about to give in this proceeding shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. Woods. I do.

TESTIMONY OF GEORGE D. WOODS, VICE PRESIDENT AND DIRECTOR, THE FIRST BOSTON CORPORATION, NEW YORK, N. Y.

Mr. NEHEMKIS. Mr. Woods, I show you a copy of a telegram dated March 23, 1935, from George Ramsey to yourself.

Mr. HENDERSON. Will you have Mr. Woods identified?

Mr. NEHEMKIS. I shall in just a moment.

And I ask you to tell me whether this is a true and correct copy of an original in the files of the First Boston Corporation?

Mr. Woods. Yes; it is.

Mr. NEHEMKIS. You recognize that that is a true and correct copy of the original in your custody?

Mr. WOODS. I do.

Mr. NEHEMKIS. I ask that this document be received for the record, Mr. Chairman.

Acting Chairman REECE. It may be received.

(The telegram referred to was marked "Exhibit No. 1612" and is included in the appendix on p. 11672.)

Mr. NEHEMKIS. Mr. Woods, you are an officer of The First Boston Corporation?

Mr. WOODS. I am.

Mr. NEHEMKIS. And what is your position?

Mr. WOODS. I am a vice president and director.

Mr. NEHEMKIS. And how long have you been a vice president and director of The First Boston Corporation?

Mr. WOODS. Since May or June 1934.

Mr. NEHEMKIS. Since June 1934?

Mr. WOODS. Approximately.

Mr. NEHEMKIS. I am going to read a telegram which was just identified. Mr. Woods, dated March 23, 1935; and this was apparently written by your associate, Mr. George Ramsey, to you and you were at that time at Los Angeles?

Mr. WOODS. That is correct.

Mr. NEHEMKIS [reading from "Exhibit No. 1612"]:

Have just finished long harangue Stanley Russel who has been in contact Baur by tel and tel stop. He presented Addinsell with same arguments he gave us L. A. and while not so belligerent certainly will put up strong argument for position ahead Brown Harriman. Will surely contact Bauer by telephone today. Subsequently Joe Ripley called up and came over and we gave him usual song and dance referring him to Bauer but asked his impression of understanding with Stanley vis a vis business formerly participated in but not headed by City Co. Stanleys statement to Harry—

Meaning Harry Addinsell?

Mr. WOODS. Correct.

Mr. NEHEMKIS (reading further):

Stanleys statement to Harry and me today exactly opposite Ripleys understanding. This for your information when feathers start to fly on Monday.

So apparently, Mr. Woods, if you have been listening to this testimony, as I take it you have, there was an understanding between Joe Ripley and Stanley Russell concerning business formerly participated in but not headed by City Co., and that was your understanding, I take it, as it was reported?

Mr. WOODS. As you have pointed out, that is a telegram sent by my associate, who was then located in New York, to me, and I was in Los Angeles. I personally have no knowledge of these conversations to which Mr. Ramsey refers. I have checked our files, at your suggestion, and I have discussed the matter with Mr. Addinsell, and I can't find any facts about the thing. The inferences from that telegram I would prefer not to comment on.

Mr. NEHEMKIS. That is all, Mr. Woods, unless the gentlemen of the committee have some questions.

Mr. HENDERSON. Mr. Chairman, would it be proper for counsel, taking these documents which are admitted, to make a summary statement for the benefit of the committee? I confess I am a bit confused.

Acting Chairman REECE. It would seem so to me. Unless there is objection on the part of the committee, we will be very glad to have you do so at the appropriate time.

Mr. NEHEMKIS. As I understand the situation, very briefly, there would appear to have been some agreement reached between Mr. Russell and Mr. Ripley concerning the respective participations of their firms in the Pacific Gas & Electric Co. business. Such appears to be the evidence that has been offered to date.

There would appear to be two understandings from the evidence offered today, a general understanding on the National City business, and a specific understanding on P. G. & E. business, and from the telegram just read to you, obtained from the files of The First Boston Corporation, it would appear that Mr. Ripley's testimony given to this committee yesterday is in conflict with the understanding of one of the officers of The First Boston Corporation who had conversations with both Mr. Ripley and Mr. Stanley Russell concerning their agreement or understanding between each other, for as you will recall, Mr. Ramsey of The First Boston Corporation felt constrained to advise his associate, Mr. Woods, who was then on the West Coast, that he had been given conflicting versions of the Russell-Ripley understanding, and was further constrained to advise Mr. Woods so that he could govern his own actions accordingly. Such is my understanding of this relationship or agreement.

Mr. HENDERSON. In view of this restatement, Mr. Leib, do you want to add to what you have already said?

Mr. LEIB. Yes; I think it is very frequently the case that wishful thinking will make all of us, being human, take a casual conversation and translate it into an understanding if it fits our interests to do that. We have a little conversation with someone and the first thing we know, we go away and get to thinking it is an understanding. I notice these are all telegrams from other people. Was there a telegram from me in which I quoted Mr. Russell? Possibly he didn't use the word "understanding." Possibly he said, "I am going to give it to them and they know I am giving it to them."

Mr. NEHEMKIS. That is a possibility, but what do you recall as an actuality?

Mr. LEIB. I do not recall anything, it is 5 years ago; but I don't believe, if they said they had no understanding, that they had an understanding, and unfortunately, the man who sent the telegram to Mr. Woods is dead—Mr. Ramsey. We can't get him.

Mr. HENDERSON. That is the reason we do not call him ourselves, of course.

Mr. LEIB. I know, but I believe that there were more incidental conversations in which we may have used the word "understanding" and often it was not an understanding, it was not an agreement: It was an inference.

Mr. HENDERSON. Let me ask you this: Taking this together with the actual fact that many of the accounts did pass along these lines—that is, National City Co.'s accounts—what do you think this committee is entitled to infer?

Mr. LEIB. I think this committee is entitled to infer that business follows personalities, and it would very naturally be a split if two strong personalities went in opposite directions; they would each

claim their share in the business. I believe if men like Mr. Russell and Mr. Ripley and those men said they had no understanding—and that has always been my understanding of it—then I am certain in my own mind there was no question of it, and I don't care what thought a telegram carries, it is not so.

Mr. HENDERSON. And your feeling is just the same when it appears in two telegrams—

Mr. NEHEMKIS. Six telegrams.

Mr. HENDERSON. I am speaking of his own and others by Mr. Ramsey.

Mr. LEIB. Mr. Henderson, there is no difference in my opinion. I have known those men too long to think they would say they had no agreement if they had an agreement. I don't care how many telegrams people sent, unless I saw the agreement between those men—

Mr. HENDERSON. And you don't care how many telegrams you sent yourself which reflect that understanding?

Mr. LEIB. Yes, I did; and I am sorry they carry an impression which I am convinced is a false impression.

Mr. O'CONNELL. Was that your impression until you learned Mr. Ripley had testified?

Mr. LEIB. I didn't know Mr. Ripley had testified, but it had always been my understanding that there was no agreement to split the business, that the business would flow to the strongest personality who handled the business and handled it successfully in the past. That has always been my understanding.

Acting Chairman REECE. No further questions?

Mr. NEHEMKIS. Do you wish to continue?

Acting Chairman REECE. Are you through? I should say we might continue for another 15 minutes if there is no objection.

Mr. NEHEMKIS. Mr. Woods, I think you are dismissed now.

Mr. WOODS. Is that for the entire hearing?

Mr. NEHEMKIS. I am afraid I can't say that, Mr. Woods.

Mr. Leib, I am sorry to have kept you waiting so long. I had inadvertently misplaced an exhibit I wanted. We have carried the Pacific Gas & Electric financing up to about 1935, and as I recall it, about that same time the Congress was interested in the enactment of the Rayburn bill. Do you remember the situation at the time?

Mr. LEIB. My memory is that it was a little earlier than that, but I guess it was '35; yes.

PLAN OF FIGHT ON RAYBURN BILL

Mr. NEHEMKIS. Now, Mr. Leib, did you have any particular interest in that legislation?

Mr. LEIB. We were against it.

Mr. NEHEMKIS. You were very much against it?

Mr. LEIB. Very much; yes; we thought it was bad legislation.

Mr. NEHEMKIS. Now, Mr. Leib, I show you a telegram from you to your associate, Mr. Bernard W. Ford, dated February 22, 1935. I ask you to identify this photostat copy and tell me whether it is a true and correct copy of an original in your possession.

Mr. LEIB. It is.

Mr. NEHEMKIS. The telegram identified by the witness is offered in evidence.

Acting Chairman REECE. It may be admitted.

(The telegram referred to was marked "Exhibit No. 1613" and is included in the appendix on p. 11672.)

Mr. NEHEMKIS. I now read, if the committee please, from the telegram:

Apropos our conversation yesterday Loring Hoover in Washington with Fogarty and other utility executives in fight on Rayburn bill.

Plan now is to have another bill introduced which will be moderate and proper and then Blyth & Co. will immediately organize dealers of country to approach people to whom they have sold utility securities to wire their Senators and Representatives in favor this new bill. Believe we can put seventy-five thousand telegrams in Washington within twenty days by this method. Sullivan Cromwell—

Who are Sullivan & Cromwell?

Mr. LEIB. Sullivan & Cromwell are attorneys, a firm of attorneys in New York City.

Mr. NEHEMKIS [reading further from "Exhibit No. 1613"]:

Sullivan Cromwell preparing our data, letters to dealers, etc., now and we going to it tooth and nail.

Utilities have been our best friends and it certainly is time for us to give them complete support.

Confidentially, tried organize IBA----

What do those initials represent?

Mr. LEIB. Investment Bankers Association.

Mr. NEHEMKIS (reading further):

Confidentially tried organize IBA but encountered usual vacillation, inertia and timidity, so we are going it alone. Best always.

GEORGE LEIB.

[Laughter.]

Mr. LEIB. That is correct.

Mr. NEHEMKIS. Mr. Chairman, you were good enough to allow me 15 minutes. I think, if it is the pleasure of the committee, unless you have any further questions, we might adjourn at this time.

Acting Chairman REECE. If there are no questions to be asked, the committee will stand in recess until 2 o'clock.

(Whereupon, at 12:12 p. m., a recess was taken until 2 p. m. of the same day.)

AFTERNOON SESSION

(The committee resumed at 2:10 p. m. on the expiration of the recess.)

Acting Chairman REECE. The committee will come to order, please. Are you ready to proceed, Mr. Nehemkis?

Mr. NEHEMKIS. Mr. George Leib recalled, please.

TESTIMONY OF GEORGE C. LEIB, VICE PRESIDENT AND DIRECTOR, BLYTH & CO., INC., NEW YORK, N. Y.—Resumed

Mr. NEHEMKIS. Mr. Leib, I believe you said before leaving the stand that you wanted to make some explanation in regard to the last exhibit that was offered.

Mr. LEIB. Well, I wanted to—

Mr. NEHEMKIS. I was just going to say, Mr. Leib, that if that is your desire, I wish you would do so, but I wonder if I might not continue with your direct examination and then, when we have concluded, you may make any statement you may wish.

Mr. LEIB. I think that would be a better procedure.

QUESTION OF PERMANENCE OF THE F. G. & E. UNDERWRITING GROUP

Mr. NEHEMKIS. You will recall, Mr. Leib, that you identified for me a telegram dated February 21, 1935, which you had occasion to send to your partner, Mr. Charles R. Blyth, and that telegram has been offered in evidence. I would just like to read it and then ask you a few questions [reading from "Exhibit No. 1611-3"]:

Hock suggested possibility joint account which you and Roy accepted. Russell accepted this in its entirety as far as he was concerned, and Elsey was favorable.

Now after two days silence Russell comes back and suggests we take third position.

Whole thing simply does not make sense and is insulting to our intelligence and standing as a firm.

Have told all this to Jim Black and told him we simply cannot understand picture. He is equally mystified. I have explained to him importance this syndicate to company because unquestionably this is way syndicate will stand for years to come.

At this point, may I remind the committee that late yesterday afternoon we had testimony on a similar subject, and the witnesses who were with us then indicated that syndicates do not stand for all eternity, but fluctuate from time to time.

Continuing with this telegram, Mr. Leib, you went on to say [reading further]:

This is most important piece negotiation Blyth has had in years. If we miss making game on this hand with all honors we hold then there is something wrong with us.

If I understand correctly the situation, Mr. Leib, the banking firms which would be invited to join the syndicate by Blyth, assuming it obtained the leadership, would thereafter retain a vested right to their interest in the business?

Mr. LEIB. You might gather that from that wire, but that would be an error. The best proof of the pudding is the eating and to show how wrong I was in my deduction that it would stand for years is the syndicate itself. It didn't stand for a year. It was changed around, greatly amplified and changed.

Mr. NEHEMKIS. Who ultimately obtained the leadership of the first piece of financing?

Mr. LEIB. Lazard Frères.

Mr. NEHEMKIS. And in the second piece of financing who obtained the leadership?

Mr. LEIB. As I remember it, it was Lazard Frères for the first three pieces of financing or the first two.

Mr. NEHEMKIS. The first two?

Mr. LEIB. Yes.

Mr. NEHEMKIS. Then, for the third piece who had the leadership?

Mr. LEIB. Blyth & Co.

Mr. NEHEMKIS. And thereafter?

Mr. LEIB. Blyth & Co.

Mr. NEHEMKIS. Now, if the situation continues to exist, it is understood, is it not, as a result of bankers' courtesy, that this piece of business, namely the P. G. & E. financing, will hereafter be done under the leadership of Blyth & Co.?

Mr. LEIB. Only so long as Blyth & Co. does the business successfully, economically, and to the complete satisfaction of the directors of the Pacific Gas & Electric Co.

Mr. NEHEMKIS. And assuming that that condition is always satisfied, it will be understood in the banking community that the leadership of the P. G. & E. business is Blyth & Co.'s?

Mr. LEIB. I don't say it would be understood in the banking world because the banking world has nothing to do with it, but the people who have anything to do with it are the directors of the Pacific Gas & Electric Co. They make the first, last, and every decision.

Mr. NEHEMKIS. Did you have any other meaning than that which I am inferring, in the statement [reading from "Exhibit No. 1611-3"]:

Because unquestionably this is the way the syndicate will stand for years to come,

and

this is the most important piece of negotiation Blyth has had in years?

Mr. LEIB. I thought that the financing, if it was headed by Lazard Frères, would be satisfactory to the company, that they would do the business successfully, and that it would stand that way because the company would want it to stand. That is what I evidently meant by the telegram.

Mr. NEHEMKIS. And then you further said in the telegram, [reading from "Exhibit No. 1611-3"]:

If we miss making game on this hand with all honors we hold then there is something wrong with us.

What were the honors which Blyth held?

Mr. LEIB. Well, we had been in Pacific Gas & Electric business for years. We had headed two pieces of business in 1929 and 1930. We had been up toward the top in the former financing. We had a national organization. We knew the directors of the company very well and we knew that they held a very high opinion of Blyth and Co. We knew the business of Pacific Gas & Electric, the financial business, from top to bottom. We had been joint-account managers of the financing of the San Joaquin Light & Power Co., one of the most important parts of Pacific Gas. We had financed and headed the business of the Western States, which was one of the companies. We had sold the first preferred stock that was sold publicly by an investment banking house. We had been connected with that business for fourteen years, intimately connected with it. Those were the trump cards that we felt we had.

Mr. NEHEMKIS. Didn't you have some other trumps? For example, Mr. Fogarty, of North American?

Mr. LEIB. We certainly tried to make him a trump but he turned out not to be a trump for us.

Mr. NEHEMKIS. Didn't you have another trump in the personage of James Black of the North American Co.?

Mr. LEIB. Off suit, no trump.

Mr. NEHEMKIS. Harrison Williams, of North American?

Mr. LEIB. Same thing.

Mr. NEHEMKIS. And C. O. G. Miller?

Mr. LEIB. We had only one trump, and that was Mr. Hockenbeamer.

Mr. NEHEMKIS. And Frank Anderson?

Mr. LEIB. We tried.

Mr. NEHEMKIS. And Elsey, of the American Trust?

Mr. LEIB. We tried.

Mr. NEHEMKIS. And Guy C. Earl, of P. G. & E.?

Mr. LEIB. We tried.

Mr. NEHEMKIS. And Allen L. Chickering?

Mr. LEIB. Same answer.

Mr. NEHEMKIS. Who was Hock's friend in court?

Mr. LEIB. Stanley Russell.

Mr. NEHEMKIS. And who, in turn, was Stanley Russell's friend in court?

Mr. LEIB. Mr. Hockenbeamer.

Mr. NEHEMKIS. Mr. Leib, I have here a number of documents obtained from the files of your company. If you will just glance at them quickly and tell me if you think they are correct copies, I should like to offer them in evidence.

Mr. LEIB. I identify them.

Mr. NEHEMKIS. The documents which have been identified by the witness are offered in evidence.

Acting Chairman REECE. They may be admitted.

(The documents referred to were marked "Exhibits Nos. 1614-1 to 1614-26" and are included in the appendix on pp. 11672-11686.)

Mr. NEHEMKIS. Mr. Leib, I assume your firm made available to us all your correspondence in connection with the P. G. & E underwriting pursuant to our request?

Mr. LEIB. I think so.

Mr. NEHEMKIS. Now, during all of this period of negotiations, I have been impressed by the fact that at no time has any reference been made in the documentation which you have made available to us, either by you or your associates, as to whether or not this piece of financing, its terms or price, was to the best interests of the P. G. & E. stockholders or prospective investors. Weren't you concerned with this aspect of the problem at all?

Mr. LEIB. We were concerned but we really didn't have to be concerned with Mr. Hockenbeamer at the head of the company. He took care of that.

Mr. NEHEMKIS. Is it not a part of the duty and obligation of a banker to concern himself with those problems?

Mr. LEIB. Absolutely.

Mr. NEHEMKIS. I don't understand your answer.

Mr. LEIB. Absolutely.

Mr. NEHEMKIS. It is part of his duty?

Mr. LEIB. Yes; absolutely.

Mr. NEHEMKIS. But in this particular instance you had such implicit confidence in Mr. Hockenbeamer that you felt his judgment was satisfactory and that you didn't have to give it any additional thought.

Mr. LEIB. No; I would not say that. We didn't come to the point of negotiating for the price of these bonds to the public and for the spread yet. That didn't come up, that is one of the last things that comes up.

Acting Chairman REECE. This last group of exhibits which were introduced, do you wish to have introduced as a group or individually?

Mr. NEHEMKIS. Whichever is convenient for the reporter, as long as they are printed.

Acting Chairman REECE. They will go in, then, as a group.

Mr. NEHEMKIS. In this connection, Mr. Leib, will you tell me precisely what judgments the investment banker exercises when his aid is sought? Does he look for new construction or for the economic value of the construction, or for the strategic position of the enterprise which he is asked to finance, or for its real productivity, or as it would appear in the case we have been discussing, merely for the probability that the bonds can be sold?

Mr. LEIB. Well, I would say that he looks at all of those. He naturally looks first at security because he is thinking of the security of his client's money, and then he looks at the worth, the purpose of the issue, to see that it is a worthy purpose and a proper purpose, and then along the line he begins to think about salability, because there is not much use of thinking of the other things if it can't be sold, and then he considers the other factors which you have brought out, Mr. Nehemkis.

Mr. NEHEMKIS. He does, then, give consideration to these other factors?

Mr. LEIB. Yes.

Mr. NEHEMKIS. I have no further questions of Mr. Leib. Is it the committee's pleasure to hear Mr. Leib on the statement he wished to make?

Acting Chairman REECE. Yes; we will be glad to hear you.

Mr. LEIB. The principal statement I wanted to make was that I made an inadvertent misstatement this morning.¹ Mr. James Black was a director in 1935 of the Pacific Gas & Electric Co. That was asked me this morning and I had forgotten. I do remember now that he was a director and that is one of the reasons I went after that quite vigorously. That is the only statement I have to make.

Acting Chairman REECE. Are there any questions by the members of the committee?

If not, you may be excused.

(The witness, Mr. George C. Leib, was excused.)

Mr. AVILDSSEN. I understand that Mr. Stanley Russell would like to clarify some of the matters that were brought into the testimony here today.

Acting Chairman REECE. If there is no objection by the committee.

Mr. NEHEMKIS. I understood that Mr. Russell desired to make a statement to the committee.

Acting Chairman REECE. The committee will be glad to hear you.

¹ Supra, pp. 11496 and 11499.

TESTIMONY OF STANLEY A. RUSSELL, LAZARD FRÈRES & CO., NEW YORK, N. Y.—Resumed

DENIAL BY MR. RUSSELL OF AGREEMENT BETWEEN HIMSELF AND MR. RIPLEY

Mr. RUSSELL. I want to endeavor to clear up what appears to be a misunderstanding with reference to this question of an understanding between myself and Mr. Ripley. I was asked, I believe, one question this morning to the effect, Was it a fact that I had an agreement with Mr. Ripley with respect to the participation or division between us of old City Co. business. My answer was it was not a fact. I confirm that answer. I had no understanding with Mr. Ripley with respect to old City Co. business, and the records as regards division of the business or business that Brown Harriman Co. subsequently offered us proves that case, if you will look into the record.

As regards the Pacific Gas & Electric matters, you must realize that I went to San Francisco to call on Mr. Hockenbeamer not knowing there was any business in the offing. My play with Mr. Hockenbeamer was to the effect that this was in essence the same old account that had handled his business for 15 years. That old account was the National City Co., Blyth & Co., and others, and in presenting my case to Mr. Hockenbeamer I included Brown Harriman and Blyth. I tied Brown Harriman with ourselves because that supported my contention that this was in essence the same old account that had handled the business. Now, as regards Mr. Ripley, I can only surmise.

My guess is that what happened was that prior to my leaving for the coast I probably saw Mr. Ripley at lunch or at some meeting and said I was going to the coast, and he said, probably, "Well, are you going to get a P. G. & E. deal?" I said, "I don't know."

"Well, don't forget us."

"Well, I certainly won't, and I would expect that you should be with us in the business."

If there was any agreement of any kind or character, that is probably the essence of any conversation that happened between us. There was no agreement of any general character. My whole case with Mr. Hockenbeamer was to tie Brown Harriman in as close as possible to give him a picture of the old account. That is as far as I can recall the sum and substance of any agreement or possible understanding that may have existed between us. It had no general implication, whatever it might have been. I just wanted to try to clear that up.

Acting Chairman REECE. Do the members of the committee have any questions?

Thank you Mr. Russell.

(The witness, Mr. Stanley A. Russell, was excused.)

Mr. NEHEMKIS. Mr. Chairman, may it please the committee, I should like to call the next witness, Mr. George D. Woods.

TESTIMONY OF GEORGE D. WOODS, VICE PRESIDENT AND DIRECTOR, THE FIRST BOSTON CORPORATION, NEW YORK, N. Y.—Resumed

Mr. NEHEMKIS. May I have an off-the-record discussion with the witness for a moment?

(Consultation with the witness.)

ORGANIZATION AND PREDECESSORS OF THE FIRST BOSTON CORPORATION

Mr. NEHEMKIS. Mr. Woods, The First Boston Corporation is the successor to the goodwill of the Chase Harris Forbes Corporation. Is that correct?

Mr. WOODS. That is correct.

Mr. NEHEMKIS. And it was organized in 1932 as a consolidation of Chase Securities Corporation and Harris Forbes & Co. and the First National Old Colony Corporation?

Mr. WOODS. No; that is not correct. At the 1932 date the Chase Securities did not enter into the situation. It (The First Boston Corporation) was organized in 1932 for the purpose of taking over the assets and personnel of what was known as the First National Old Colony Corporation, which was the investment affiliate of The First National Bank of Boston.

Mr. NEHEMKIS. What two commercial banks were the predecessor organizations of The First Boston Corporation?

Mr. WOODS. Well, if I understand your question correctly, the answer is that the First National Bank of Boston had a security affiliate which was known as The First of Boston Corporation, and the Old Colony Trust Co. also domiciled in Boston had a securities affiliate which was known as the Old Colony Corporation. The First National Bank of Boston acquired the capital stock of the Old Colony Trust Co., and coincidentally or at about that time the business formerly conducted by The First of Boston Corporation and the Old Colony Corporation were combined under the title, the First Old Colony Corporation.

Mr. NEHEMKIS. In order to comply with the Banking Act of 1933, as I understand it, the First National Bank of Boston offered its shareholders an opportunity to acquire about 45 percent of the stock of The First Boston Corporation?

Mr. WOODS. That is correct.

Mr. NEHEMKIS. And the balance of the stock was offered to investors who had no interest in the bank?

Mr. WOODS. That is correct.

Mr. NEHEMKIS. Mr. John R. Macomber, formerly chairman of the board of the Harris, Forbes organization, Mr. Harry M. Addinsell, formerly vice president of the Harris, Forbes organization, and others of their associates had expressed a willingness at this time to become associated with the management of The First Boston Corporation and acquire some of its stock?

Mr. WOODS. That is correct.

Mr. NEHEMKIS. As I further understand the transactions, approximately 45 percent of the stock was also offered to the stockholders of The Chase Corporation, the stockholders of which were identical with those of the Chase National Bank of the city of New York?

Mr. WOODS. Correct.

Mr. NEHEMKIS. Can you tell me rather briefly, Mr. Woods, about the rights to subscribe to the new stock, how much was offered, what value the share was, just very briefly?

Mr. WOODS. Five hundred thousand shares of the stock of our firm, which at that point became known as The First Boston Corporation, were offered approximately 45 percent to the stockholders of the First National Bank of Boston and approximately 45 percent to the stockholders of the Chase Corporation, as you pointed out.

OFFER OF STOCK TO EMPLOYEES AND OFFICERS

Mr. Woods. The remainder of the stock was offered coincidentally to those officers and employees of The First Boston Corporation who evidenced desire to buy it, and some portion of the remainder was offered and subsequently purchased by people who were neither officers of the corporation nor stockholders of either bank. Those people presumably were desirous of making an investment in which they had confidence.

The stock was offered at \$18 a share, which obviously brings it to a total of \$9,000,000, and The First Boston Corporation started off business on June 16, with a capital of \$9,000,000. There were no commissions paid and the entire amount paid by the stockholders for the stock was paid into the corporation.

Mr. NEHEMKIS. Mr. Woods, if I may interrupt at this point, the series of transactions which you have described by which the predecessor organizations of The First Boston Corporation were merged into the new corporation is somewhat different from the testimony which we have heard heretofore on the dissolution of the National City Co.¹ As I understand it, the banks felt that the stockholders should have an opportunity to acquire an interest in the new organization which was being set up to conform to the requirements of the Banking Act of 1933. Is that substantially correct?

Mr. Wood. That is substantially correct. The management of each of the banks felt that to the extent that the banks, and therefore their stockholders, had made an investment over the years in educating a group of people in the security business and underwriting business, that those stockholders who had whatever value it was to such an organization should have the first opportunity to participate in it.

Mr. NEHEMKIS. And in this connection, it was recognized that the records and the correspondence and the other documents relating to the general securities issues of these predecessor organizations, together with the correspondence with former customers, would be purchased and acquired by the new organization. And that, I take it, was also part of the agreement?

Mr. Woods. With respect to the records and papers that you referred to of The First Boston Corporation, they had always been the property of The First Boston Corporation; there was no change in that, the bank in Boston merely sold its stock.

With respect to the files and records of the Harris, Forbes Co., or the Chase Harris Forbes Co., there was an agreement, the effect of which was that The First Boston Corporation and the Chase Corporation both had access to all the files of the Chase Harris Forbes Co., and to the Chase Harris Forbes group.

Mr. NEHEMKIS. Mr. Woods, I show you a letter addressed to counsel, from Nevil Ford, vice president of The First Boston Corporation. Can you tell me whether you are familiar with this letter and recognize it as being one from your organization?

Mr. Woods. I recognize it as being one from our organization.

¹ Testimony of W. Averell Harriman and Joseph P. Ripley, *supra*, pp. 11384-11426.

Mr. NEHEMKIS. I merely wish to offer it for the record. I don't intend to examine you on the contents.

I offer the letter identified by the witness in evidence.

Acting Chairman REECE. It may be admitted.

(The letter referred to was marked "Exhibit No. 1615" and is included in the appendix on p. 11686.)

Mr. NEHEMKIS. Mr. Woods, have you ever seen the printed letter that Winthrop W. Aldrich, then chairman of the board of the Chase Corporation, submitted to the stockholders on May 11, 1934?

Mr. WOODS. I have.

Mr. NEHEMKIS. Is this a true and correct copy of that letter?

Mr. WOODS. I recognize it and identify it.

Mr. NEHEMKIS. The letter is offered in evidence.

Acting Chairman REECE. It may be admitted.

(The letter referred to was marked "Exhibit No. 1616" and is included in the appendix on p. 11687.)

Mr. NEHEMKIS. Have you ever had occasion to see the letter submitted by Daniel G. Wing, chairman of the board of the First National Bank of Boston, to the stockholders of the First National Bank of Boston and the Chase Corporation in connection with the dissolution of the security affiliate?

Mr. WOODS. I have, and I recognize this and so identify it.

Mr. NEHEMKIS. The letter is offered.

(The letter referred to was marked "Exhibit No. 1617" and is included in the appendix on p. 11690.)

Mr. NEHEMKIS. Will you tell me, Mr. Woods, whether this is a true and correct copy of an original letter in your files, written by Allan M. Pope, to Mr. George W. Bovenizer, of Kuhn, Loeb & Co.?

Mr. WOODS. Yes. I recognize that letter.

Mr. NEHEMKIS. Before offering this, Mr. Chairman, may I read two paragraphs from this letter written by Allan M. Pope to George W. Bovenizer of Kuhn, Loeb? This letter is dated May 16, 1934 [reading from "Exhibit No. 1618"]:

We hope that as the capital market may open up we may have considerably more new issues than The First Boston Corporation formerly had. Mr. John R. Macomber, as Chairman of our Board, and Mr. Harry M. Addinsell, as Chairman of our Executive Committee, with five other officers who served with them in Harris, Forbes & Co. for many years, will devote a large measure of their time to such desirable new underwriting as may develop. We will have control of the name of Harris, Forbes & Co. and succeed to the goodwill of that organization.

The personnel of The First of Boston Corporation will continue intact under the slightly altered name of The First Boston Corporation and in the same locations. Under this new title we hope to continue to make ourselves useful to you and your associates and to continue what always has been to us a very pleasant relationship.

That is offered.

(The letter referred to was marked "Exhibit No. 1618" and is included in the appendix on p. 11695.)

ACQUISITION BY THE FIRST BOSTON CORPORATION OF "PREFERENTIAL RIGHTS" OF THE CHASE HARRIS FORBES COMPANIES

Mr. NEHEMKIS. I show you a copy of a letter signed by H. M. Addinsell, chairman of the executive committee, addressed to Kuhn,

Loeb & Co., dated July 2, 1934, and ask you to tell me whether this is a true and correct copy of an original in your possession.

Mr. Woods. I recognize it.

Mr. NEHEMKIS. May I read from this letter, which is dated July 2, 1934 [reading from "Exhibit No. 1619"]:

In view of the past relationships between your firm and Harris, Forbes & Company and subsequently Chase Harris Forbes Corporation, I am sure you will be interested to know that The First Boston Corporation has exercised its option to acquire the good will of the securities business of the Chase Harris Forbes companies (other than as pertaining to certain governmental and municipal financing) including preferential rights and the right to the name "Harris Forbes."

Mr. Woods, would you enlighten me on the meaning of the phrase "including preferential rights"?

Mr. Woods. Well, "preferential rights" obviously means somebody by agreement has a right in preference to somebody else's right.

Mr. NEHEMKIS. And the implication here is that Harris, Forbes had in the past entered into certain arrangements with companies which involved preferential rights as to future financing, and that the new organization had inherited those rights and would be in a position to exercise them. Is that about what it comes to?

Mr. Woods. Well, I think the first part of your statement I wholly agree with. The second part of your statement I must comment on. I don't believe that our new organization expected that we were going to be able to exercise those preferential rights without the full knowledge and consent of the people with whom the agreements had been reached by Harris, Forbes & Co. or Chase Harris Forbes Corporation.

We have never felt, in point of fact, that those preferential rights, so-called, which, parenthetically, are of questionable value and have been since the latter part of 1935, could be transferred excepting with the express consent of the people with respect to whose financing they were effective, and no effort was made to get such express consent at the time. Since then, I might say for the information of the committee, those preferential rights insofar as they exist have been waived from time to time upon the request of the companies.

Mr. NEHEMKIS. What would you say was the purpose of Mr. Addinsell at this time, July of 1934, when the new organization was being set up, in informing Kuhn, Loeb that these preferential rights were also to be considered as part of the business relationship, shall I say, of The First Boston Corporation?

Mr. Woods. Well, I wouldn't hazard a guess on that, Mr. Nehemkis.

Mr. NEHEMKIS. At least, it would appear, would it not, Mr. Woods, that one of the factors that Mr. Addinsell was anxious to communicate to Kuhn, Loeb & Co. was the existence of certain preferential rights; as to whether or not they could be exercised in the future or what validity they might have, that is something else.

Mr. Woods. No; I would think perhaps—I will make a guess—that he was more probably trying to convey to the people at Kuhn, Loeb & Co. that those of us who had grown up in the Harris, Forbes organization and were now with The First Boston Corporation were going to do our level best to continue to carry on the business discussions with the former clients of Harris, Forbes & Co.

Mr. NEHEMKIS. May I read another paragraph of this letter? [reading from "Exhibit No. 1619"]:

We expect to be active in the underwriting and distribution of new issues of high grade bonds. In so far as Harris, Forbes & Company or Chase Harris Forbes Corporation participated in underwritings and offerings headed by yourselves, we will accordingly be pleased if you will substitute our name in your syndicate records in order that we may have the opportunity of considering future participations in such accounts.

I take it, Mr. Woods, that what Mr. Addinsell was here conveying was that the old relationship between the two firms would continue and he just wanted the syndicate manager to note that there was a new organization, The First Boston Corporation, and to make the appropriate substitution on the KL records?

Mr. Woods. That is correct.

Mr. NEHEMKIS. I offer the letter in evidence, Mr. Chairman.

Acting Chairman REECE. It may be received.

(The letter referred to was marked "Exhibit No. 1619" and is included in the appendix on p. 11695.)

Mr. NEHEMKIS. Mr. Woods has been good enough to have prepared a statement regarding the organization of The First Boston Corporation, which he has submitted to me and which I have read. In his behalf I should like to offer it in evidence so it becomes a part of the permanent record.

Acting Chairman REECE. It may be received.

(The statement referred to was marked "Exhibit No. 1620" and is included in the appendix on p. 11696.)

EXECUTIVE PERSONNEL AND STOCKHOLDERS OF THE FIRST BOSTON CORPORATION

Mr. NEHEMKIS. As I understand it, the executive personnel of The First Boston Corporation is comprised almost entirely of individuals previously associated with the former security affiliates of the Chase National Bank of the City of New York and the First National Bank of Boston.

Mr. Woods. That is correct.

Mr. NEHEMKIS. I show you a letter from A. E. Burns, Assistant Secretary of The First Boston Corporation, addressed to counsel, dated April 13, 1939, and ask you to tell me whether you recognize this as coming from your firm?

Mr. Woods. I so recognize it.

Mr. NEHEMKIS. Perhaps you may want to refer to that? Will you tell me who the principal officers and directors of The First Boston Corporation are?

Mr. Woods. Well, the three principal officers and directors are Messrs. Macomber, Pope, and Addinsell. In addition to that, the following gentlemen are vice presidents and directors: James Coggeshall, Jr., Eugene I. Cowell, Nevil Ford, Duncan R. Linsley, John C. Montgomery, William H. Potter, Jr., Arthur C. Turner, George D. Woods. The board, in addition to the people I have just named, includes Messrs. Hambuechen and Orr, neither of whom are officers or regularly in the employ of the corporation. There are numerous

other vice presidents. There is a treasurer and a secretary and a comptroller.

Mr. NEHEMKIS. I offer it in evidence.

Acting Chairman REECE. It may be admitted.

(The letter referred to was marked "Exhibit No. 1621" and is included in the appendix on p. 11699.)

Mr. NEHEMKIS. How many stockholders are there of The First Boston Corporation, Mr. Woods?

Mr. Woods. As of July 14, 1939, at which date a record was taken for purposes of distribution of a dividend, there were 9,940 stockholders, with 500,000 shares of stock. I would like to add, that represents an average holding of just over 50 shares.

Mr. NEHEMKIS. Now, can you tell me as of June 17, 1939, the names of the 10 largest stockholders of The First Boston Corporation? Do you have that information? Let's do two things at one time. I show you a stockholders' list furnished us by your company and ask you to tell me if this is the copy which was submitted?

Mr. Woods. It is.

Mr. NEHEMKIS. Why don't you use that for your own convenience and give me the names of the 10 largest stockholders?

Mr. Woods. As of June 17, 1939, the 10 largest stockholders were Stone & Webster, Inc.—

Mr. NEHEMKIS. The number of shares as you go along.

Mr. Woods. Holding 18,480 shares, which I might say is less than 4 percent of the total, and they are the largest stockholder.

Harry M. Addinsell, holding 11,500 shares. Mr. Addinsell is chairman of the executive committee and active in the management.

F. S. Moseley & Co., 11,430 shares.

Skelton & Co., 9,748 shares. Parenthetically I might say that it is my belief that Skelton & Co. is the nominee for a bank in Boston and that stock is held for a number of smaller stockholders.

John R. Macomber, who is chairman of the board of The First Boston Corporation, owns 7,500 shares.

J. W. Hambuechen, who is one of our directors, owns 7,228 shares.

Albert H. Wiggin owns 7,176 shares.

Chase, Henderson & Tenant have 5,930 shares, registered in their name. I might say that that is a London brokerage concern, and my understanding is they hold it for numerous people in London.

Nevil Ford, who is a vice president and director of our firm, owns 4,400 shares.

Bertram M. Wilde owns, 4,000 shares.

Apparently those are the 10 largest stockholders.

Mr. NEHEMKIS. Did you give me the name of Cudd & Co.?

Mr. Woods. Cudd & Co. is the eleventh largest stockholder, and owns 3,911 shares.

Mr. NEHEMKIS. Is that a nominee?

Mr. Woods. I believe Cudd & Co. is nominee for the Chase National Bank personal trust department.

Mr. NEHEMKIS. Not the nominee for Albert H. Wiggin?

Mr. Woods. I have no knowledge of that.

Mr. NEHEMKIS. Mr. Chairman, I should like to offer a list of the holders of 500 shares and over of The First Boston Corporation as

of record at the close of business June 17, 1939, identified by the witness now in the chair.

Acting Chairman REECE. It may be admitted.

(The list referred to was marked "Exhibit No. 1622" and is included in the appendix on p. 11700.)

Mr. NEHEMKIS. Of your stockholders, some have investment banking connections, do they not?

Mr. WOODS. That is correct.

Mr. NEHEMKIS. Stone & Webster, Inc., which holds 18,000 shares, has investment banking connections, has it not, through Stone & Webster and Blodgett?

Mr. WOODS. I believe the latter is the wholly owned subsidiary of the former.

Mr. NEHEMKIS. Of Stone & Webster, Inc.? Now, F. S. Moseley holds 11,000 shares. What kind of business is conducted by that company, do you know?

Mr. WOODS. Investment banking business, general security business. I believe they are members of the New York Stock Exchange.

Mr. NEHEMKIS. And I note that Jackson & Curtis owns some 3,000 shares. Do you happen to know the kind of business that company is in?

Mr. WOODS. Quite similar to that of Moseley & Co.

Mr. NEHEMKIS. And Lee Higginson Corporation owns 2,000 shares.

Mr. WOODS. They also are in the investment banking business.

Mr. NEHEMKIS. And Ernest E. Quantrell is the holder of 2,000 shares. Do you happen to know whether Mr. Quantrell is associated with an investment banking house?

Mr. WOODS. Not to my knowledge. Mr. Quantrell, as far as I know, has had no business association for several years past.

Mr. NEHEMKIS. I note that Brown Brothers Harriman have some stock, 1,881 shares. Is that correct?

Mr. WOODS. I didn't know that. If their name is on the list, it is undoubtedly correct.

Mr. NEHEMKIS. I am reading from a list that has been prepared from your other list. Tucker, Anthony & Co.—

Mr. WOODS (interposing). Brown Brothers Harriman, to go back to them for a moment, are the private banking firm as distinguished from the investment banking.

Mr. NEHEMKIS. That is correct, concerning whom we had testimony yesterday.

Now, Tucker, Anthony & Co. I note has 1,300 shares. What is the business of that house?

Mr. WOODS. Similar to Moseley.

Mr. NEHEMKIS. Investment banking, general securities business?

Mr. WOODS. That is right.

Mr. NEHEMKIS. And Ladenburg, Thalmann & Co. I note have 800 shares. Are they in the investment banking business too?

Mr. WOODS. Right.

Mr. NEHEMKIS. And J. Henry Schroder & Co. have some 600 shares. What is the nature of their business?

Mr. WOODS. Investment banking business.

Mr. NEHEMKIS. And I note that White, Weld & Co. have 590 shares. White, Weld & Co. is likewise in the investment banking business?

Mr. Woods. That is true. I am very much flattered to find all these banking firms have our stock.

Mr. NEHEMKIS. There is nothing like enlightening one's witness about his own business.

Mr. Woods. I am inclined to think that to some extent in view of the fact this list that was given to you was prepared at a dividend record date, that these shares that are of record in these names may be held to a greater or lesser extent for the account of customers and others.

Mr. NEHEMKIS. If you would like to make a correction on the material submitted, I would be very grateful.

Mr. Woods. I merely submitted a list of the registered stockholders, but I sense the implication that all of these people may own the stock for their own account, and they may so own it, but there is a question in my mind as to whether some of them, such as Jackson & Curtis, Tucker, Anthony & Co., Ladenburg Thalmann & Co., are not holding it for the account of others. Moseley, I might say, was among our original stockholders and bought the stock with the avowed intention of holding it for investment purposes.

Mr. NEHEMKIS. I was merely suggesting, Mr. Woods, if there is any question in your mind about it, if you will send me a note about it, I will be very glad to offer it for the record.¹ If there is any correction to be made concerning statements you or I have made in the past few moments, we will rectify them together.

Mr. Woods. Thank you very much.

INVESTMENT BANKING BY A PUBLIC CORPORATION

Mr. NEHEMKIS. As I understand it, The First Boston Corporation is actually a public corporation in that it has stockholders who are widely dispersed. Its balance sheets and financial condition are matters of public record. Is that so?

Mr. Woods. That is correct.

Mr. NEHEMKIS. Do you know of any other investment banking houses among the major firms in the business which occupy a similar position to The First Boston Corporation?

Mr. Woods. Harris, Hall & Co., Chicago, are a publicly owned concern. Blair & Co., New York, similarly are publicly owned. Those are the only two that occur to me at the moment.

Mr. NEHEMKIS. Yesterday Mr. Ripley, who was testifying, was asked a question:

How did it happen that you suggested the voting trust arrangement?

I don't think you were here, but it was in connection with the voting trust of Brown Brothers Harriman and Harriman Ripley.

How did it happen that you suggested the voting trust arrangement? You must recall, if perhaps you can, what the discussions were at the time. What prompted you to suggest that special type of instrument?

Mr. RIPLEY. For nine years, sir, I worked for the National City Company, whose stock was traded on the public markets. It went up one day and it went down another day. I observed the effect of that situation on an investment banking organization. I observed that some members of the staff were

¹ Mr. Woods, under date of February 24, 1940, offered further clarification of this phase of his testimony. It is included in the appendix on p. 11827.

watching the market for the stock of the company rather than tending to their business. I vowed that if I could help it, I would never wish to work for an investment banking organization whose stock was spread all around and for which there were public markets.

Now I am skipping some of the testimony of Mr. Ripley.

Now, feeling as I did that I had this obligation to my staff and to myself, I made up my mind that I was going to try to do something to prevent getting myself back into the position where the stock of this company was spread around in various hands and the future was distinctly uncertain.

Would you care to comment on that statement as it affects your situation?

Mr. Woods. I have nothing to say other than I and my principal associates are entirely happy with our present situation.

Mr. NEHEMKIS. Do you think Mr. Ripley's observation, as I read it to you, of the undesirability of having the stock of an investment banking house spread around is sound?

Mr. Woods. In view of the fact that I am an officer and director and active participant in the business of a concern whose stock is very widely spread around, I just simply differ with that point of view. The ownership of our stock causes us no difficulty. Unfortunately, it does go up and it does go down, but we find ourselves perfectly capable of carrying on our investment banking business as we are situated.

Mr. NEHEMKIS. So, may I say, if this be a correct statement, that you and your associates feel that there is nothing undesirable in having a public corporation functioning in the investment banking business.

Mr. Woods. There is nothing undesirable about it in my judgment; no.

Mr. NEHEMKIS. Now in the allocation of First Boston business, have there been any participations given to Stone & Webster and Blodget?

Mr. Woods. Oh, yes; from time to time Stone & Webster and Blodget have been included in our syndicate lists.

Mr. NEHEMKIS. Have they been substantial participations?

Mr. Woods. I dare say there are cases when they have had substantial participations.

Mr. NEHEMKIS. You testified, I believe, that Stone & Webster and Blodget was one of the substantial holders of stock of The First Boston Corporation.

Mr. Woods. The parent of Stone & Webster and Blodget.

Mr. NEHEMKIS. Stone & Webster, Inc.?

Mr. Woods. That is correct.

Mr. NEHEMKIS. And the investment banking house is known as Stone & Webster and Blodget?

Mr. Woods. That is correct.

Mr. NEHEMKIS. Do you have any notion offhand in how many originations of The First Boston Corporation participations have been given to Stone & Webster and Blodget; just roughly?

Mr. Woods. Not offhand. I can't state a figure offhand, but I would say in a very substantial number of underwritings Stone & Webster and Blodget are included. We regard them highly as distributors and they have ample capital.

Mr. NEHEMKIS. I should like to offer a table, Mr. Chairman, showing the participations of Stone & Webster and Blodget in issues managed by The First Boston Corporation, from June 14, 1934, to June 30, 1939. These data were compiled from the registration statements relating to the respective issues on file with the Securities and Exchange Commission, and the table was prepared by the staff of the Investment Banking Section.

Acting Chairman REECE. It may be admitted.

(The table referred to was marked "Exhibit No. 1623" and is included in the appendix on p. 11704.)

Mr. NEHEMKIS. Would you excuse me for a moment, Mr. Woods, while I call another witness? You may remain seated.

Mr. Lloyd Mathers, please.

Acting Chairman REECE. Do you solemnly swear the testimony you are about to give in this proceeding shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MATHERS. I do.

TESTIMONY OF LLOYD MATHERS, SECURITIES ANALYST, SECURITIES AND EXCHANGE COMMISSION, WASHINGTON, D. C.

Mr. NEHEMKIS. Mr. Mathers, are you a member of the staff of the Securities and Exchange Commission?

Mr. MATHERS. Yes, sir.

Mr. NEHEMKIS. And in the course of your investigations have you had occasion to examine the files of Lehman Brothers?

Mr. MATHERS. I have.

Mr. NEHEMKIS. I show you certain documents obtained from the files of Lehman Brothers and furnished you by responsible officials of that organization and ask you to tell me whether those are the documents which have been submitted to you by partners of Lehman Brothers.

Mr. MATHERS. They are.

Mr. NEHEMKIS. Thank you very much.

(The witness, Mr. Mathers, was excused.)

REALIGNMENTS IN INVESTMENT BANKING BUSINESS—1933-1934

Mr. NEHEMKIS. Mr. Woods, about the time of the organization of The First Boston Corporation, the investment banking business was undergoing certain readjustments, new alignments were taking place, and old contracts were being renewed, certain of the old banks were out of the underwriting business. This meant, I take it, that the financing formerly done by these organizations would be sought after?

Mr. WOODS. That is correct.

Mr. NEHEMKIS. And, on the other hand, there was some uncertainty among the houses as to the disposition of the accounts formerly handled by some of the bank affiliates, as to whether they would fall to the successors of the old affiliates or whether other banking houses would obtain this business; is that correct?

Mr. WOODS. I dare say.

Mr. NEHEMKIS. Do you know it to be so? You were a member of a very important house at that time and I assume you and your fellow officers were thinking a good deal about these problems.

Mr. WOODS. We spent surprisingly little time thinking about what was going to happen to the business formerly carried on by the Guaranty Co. or the National City Co. We did spend a very substantial portion of each business day devising ways and means of seeing to it that The First Boston Corporation did its full share of the business that had been formerly done by Harris, Forbes & Co., and those of us who were primarily in the buying and underwriting end of the business went to great length to acquaint the former clients of Harris, Forbes and Chase Harris Forbes of our new situation and our ability to do business. But what the others were doing, really my opinion wouldn't be worth very much.

Mr. NEHEMKIS. I didn't intend you to comment about what others were doing. I intended that you would give me the atmosphere of yourself and your own associates. I had in mind more particularly this kind of discussion between Mr. Nevil Ford, one of your fellow officers, and Mr. Dorsey Richardson, of Lehman Brothers, who on April 4, 1934, had this to say in a memorandum entitled "Relations with Successor Company to First of Boston Corporation."

Mr. HENDERSON. Has that been identified?

Mr. NEHEMKIS. It has. [Reading from "Exhibit No. 1624":]

Last Thursday I lunched at The First of Boston Corporation with Mr. Nevil Ford who, jointly with Mr. Pope, is one of the senior officers of the Corporation. Mr. Ford is a personal friend of long standing.

We discussed two subjects, first, the reorganization plan whereby the new company "The First Boston Corporation" will be established to continue in the issuing business, and second,—

Note this, Mr. Woods—

the possibility of this new company and Lehman Brothers working more closely together, especially through the inclusion of Lehman Brothers in certain underwriting groups in place of bank affiliates and/or private firms which have gone out of business or have weakened as to ability to assume commitments. * * *

With regard to the future relations between the new company and Lehman Brothers, Mr. Ford was most optimistic that cooperation would be possible, and was quite definite in expressing a desire on the part of himself and his associates to include Lehman Brothers in business in which we had not been represented previously. He said that a reconstitution of groups had not been discussed with the Chase Harris Forbes people, but that as soon as the legal formalities for the establishment of the new company had been finished attention would be turned to a survey of existing business in both organizations. Mr. Ford said that he recognized that there would be many holes in previous groups and that wherever it was possible he would try to discuss with us the possibility of our joining.

I offer the memorandum from which I have read in evidence, Mr. Chairman.

Acting Chairman REECE. It may be admitted.

(The memorandum referred to was marked "Exhibit No. 1624" and is included in the appendix on p. 11704.)

Mr. NEHEMKIS. It was, then, in this atmosphere, so to speak, Mr. Woods, that early in 1934 First Boston commenced negotiations for the financing of the Southern California Edison issue of 1935, correct, sir?

Mr. WOODS. That is correct.

Mr. NEHEMKIS. And there was some uncertainty at this time as to whether First Boston would obtain this account even though it had been associated with the earlier financing of the company?

Mr. WOODS. That is correct.

Mr. NEHEMKIS. There were other firms actively competing for the business; for example, Blyth & Co., Lazard Frères, Field, Glore; is that correct?

Mr. WOODS. Yes; those firms and several others.

Mr. NEHEMKIS. I show you, Mr. Woods, a letter by John R. Macomber, addressed to Albert W. Harris, and dated August 3, 1934. I ask you to tell me whether this is a true and correct copy of an original letter in your files?

Mr. WOODS. It is.

Mr. NEHEMKIS. The letter is offered in evidence, Mr. Chairman. Acting Chairman REECE. It may be admitted.

(The letter referred to was marked "Exhibit No. 1625" and is included in the appendix on p. 11705.)

Mr. NEHEMKIS. I read from the third paragraph thereof. You will recall this is a letter from Mr. Macomber, Mr. Woods' associate, to Mr. Albert W. Harris.

By the way, Mr. Albert W. Harris was at that time and still is president of the Harris Trust & Savings Bank of Chicago?

Mr. WOODS. No; I think at that time Mr. Harris may have been chairman of the board.

Mr. NEHEMKIS. Chairman of the board.

Mr. WOODS. And he may still be chairman of the board.

Mr. NEHEMKIS. But he was in any event connected with the Harris Trust & Savings Bank in Chicago?

Mr. WOODS. Yes; he is the son of the founder and no doubt the largest stockholder.

Mr. NEHEMKIS [reading from "Exhibit No. 1625"]:

When I was in New York last week, I had luncheon with Mr. Burnett Walker at his request.

Can you tell me who Mr. Burnett Walker is?

Mr. WOODS. Mr. Burnett Walker is a partner of Smith, Barney & Co.

Mr. NEHEMKIS (reading further):

Walker, you will remember, was with us in the early days and then became vice president of the Guaranty Company. In the unwinding of that organization, he is now a partner of E. B. Smith & Co., which firm, without any formal agreement, has, I am sure, the goodwill of the Guaranty Trust Company itself as far as business which the company cannot transact is concerned, and I think they will be a fairly important factor in certain classes of issue business in the future. Joe Swan, the old president of the Guaranty Company, also is a partner of Edward B. Smith & Co., and one or two others of the old Guaranty men are associated there also. They are a pretty energetic and resourceful group.

I now read from the fourth paragraph of that letter:

Walker told me that he was going to the Pacific Coast to spend a week or two with his family at Santa Barbara but in the course of his visit he was going to see Mr. H. J. Bauer, Chairman of Southern California Edison Company, and he asked me if we had any objection to his so doing.

Now, may I pause there. Would you care to enlighten me, if you will, why it was necessary for Mr. Burnett Walker to ask Mr. Macomber whether Mr. Macomber had any objection to Burnett Walker's talking to the President of the Southern California Edison Co.?

Mr. WOODS. I don't believe it was necessary, Mr. Nehemkis. I think Mr. Walker was merely being courteous.

Mr. NEHEMKIS. In other words, this is what we call or what is called banker's courtesy? Mr. Burnett Walker, recognizing that this was an open field for the business, was simply courteous and called on your people just to ask if it was all right for him to drop in to see Mr. Bauer, this having been an old historical account of yours. Is that about the substance of the matter?

Mr. WOODS. Well, I doubt, knowing Burnett Walker, if he asked Mr. Macomber if he could drop in on Mr. Bauer. I would say he probably said to Mr. Macomber that he was going to do so, and knowing both of the gentlemen quite intimately, I imagine Mr. Walker's mind worked along the line that A. W. Harris was, and had been for years, a director of the Southern California Edison Co., and Mr. Harris and Mr. Macomber, who are more or less contemporaries, were old, old friends, and Mr. Walker probably recognized the fact that Mr. Harris might look to Mr. Macomber for his point of view with respect to investment banking matters.

Mr. NEHEMKIS. Suppose Mr. Macomber had said after this courtesy call, "No, I don't think you ought to talk to Harry Bauer," what then?

Mr. WOODS. Bankers' courtesy, since you coined that phrase, is such that Mr. Macomber never would have said that.

Mr. NEHEMKIS. You don't think that is possible under banker's courtesy?

Mr. WOODS. That is correct.

Mr. NEHEMKIS. May I continue from the letter [reading from "Exhibit No. 1625"]:

I told him that this business had always been headed up by the Harris Trust & Savings Bank, although as their eastern associates, Harris, Forbes had had a share in it, but more than that, any business had particularly been headed up in your good self—

meaning, I take it, Albert Harris?

Mr. WOODS. Correct.

Mr. NEHEMKIS [Reading further]:

Therefore, I really was not in a position to say very much about it but, naturally, couldn't object to his calling on them. I said to him, however, that I would suggest that, as he was spending a day or two in Chicago, before seeing Mr. Bauer on this phase of the business, I thought it would be courteous for him to see you.

So at this period in the summer of 1934, Mr. Woods, the Harris Trust & Savings Bank being barred from the underwriting business, there existed a general impression among the investment banking firms that the Southern California Edison business was, so to speak, open territory?

Mr. WOODS. I dare say that is true.

Mr. NEHEMKIS. And that would account for E. B. Smith's interest and Mr. Walker's trip to the west coast to see Mr. Bauer?

Mr. WOODS. That is correct.

Mr. NEHEMKIS. Now during the period of the 20's, and up until 1932, was there not in existence a reciprocal arrangement whereby Harris Trust & Savings Bank and Harris, Forbes & Company, a predecessor of The First Boston Corporation, shared in each other's business?

Mr. WOODS. There was.

THE HARRIS TRUST & SAVINGS BANK AND HARRIS, FORBES & COMPANY
AGREEMENT

Mr. NEHEMKIS. And under this arrangement, did not Harris, Forbes & Co. have the right to participate on original terms to the amount of 70 percent in security originations of Harris Trust & Savings Bank?

Mr. WOODS. That is true.

Mr. NEHEMKIS. And conversely, did not Harris Trust & Savings Bank have the right to participate on original terms in security originations of Harris, Forbes & Co.

Mr. WOODS. That is true. In addition, I would like to take just a moment to enlighten the committee on the background of that general method of operation. As was pointed out in this statement with regard to The First Boston Corporation which Mr. Nehemkis was kind enough to put in the record, the firm of N. W. Harris & Co.—

Mr. NEHEMKIS (interposing). Are you reading, Mr. Woods?

Mr. WOODS. No, I am just looking for a date. The firm of N. W. Harris & Co. was organized in Chicago as a partnership in 1882. Subsequently, N. W. Harris & Co. changed its corporate form of existence and ultimately became known as the Harris Trust & Savings Bank. At or about the time that happened, the eastern partners of the old N. W. Harris partnership did business in New York under the name of Harris, Forbes & Co. and continued for some years to do business in Boston under the name of N. W. Harris & Co.

Because of the fact that there had been a long business association between those two groups of men, one in the East and one in the West, when the western group incorporated under the banking law and became the Harris Trust & Savings Bank, this arrangement which Mr. Nehemkis has referred to was entered into.

It was an arbitrary division between partners, and as Mr. Nehemkis has said, the underwriting business originated by the eastern partners was shared with the new western firm. Conversely, the business originated by the western partners was shared by the eastern concern. There was no corporate identity but, because jointly the individuals had built the business up, they felt it was only fair to continue it on some sharing basis, and Mr. Nehemkis' statement is quite correct, that through August 1930 the business was divided on the basis of 70 percent to the East and 30 percent to the West, and that was true of the Southern California Edison business over a period of a great many years.

Mr. NEHEMKIS. Mr. Woods, have you ever seen a copy of the original contract entered into between these two organizations?

Mr. WOODS. I may have.

Mr. NEHEMKIS. I show you a copy of the contract entered into between Harris, Forbes & Co., Inc., by Harry M. Addinsell, vice president, and Harris Trust & Savings Bank, Chicago, Ill., dated July 25, 1930. Will you examine this and tell us if you have ever seen a copy before, or a similar copy?

While the witness is examining that, Mr. Chairman, so that there may be no question concerning the authenticity of this agreement, I read to you from a letter addressed to Mr. W. S. Whitehead, care of Securities and Exchange Commission, Washington, D. C., from

Harris Hall & Company; Mr. Whitehead is a member of my staff [reading from "Exhibit No. 1626-1"]:

Referring to our telephone conversation of Saturday, I have obtained for you a letter of July 25, 1930, addressed to the Harris Trust and Savings Bank, Chicago, and signed by Harris, Forbes & Company, New York, and Harris, Forbes & Company, Inc. of Boston, confirming the reciprocal arrangement which had hitherto existed between these concerns with respect to the purchase and marketing of securities. This is the only written memorandum with respect to this matter which we have been able to find, and I recall that it was reduced to writing at that time because the Chase Securities Corporation had on or about July 1, 1930, purchased all the stock of Harris, Forbes & Company and Harris, Forbes & Company, Inc.

Mr. Woods, I return to my previous question.

Mr. WOODS. Yes; I have seen this before.

Mr. NEHEMKIS. And you recognize this as a correct copy of the original agreement?

Mr. WOODS. That is the substance of it. I am sure it is a correct copy.

Mr. NEHEMKIS. Mr. Chairman, the letter from which I have just read, together with the copy of the agreement, as identified by this witness, are now offered in evidence.

Acting Chairman REECE. They may be admitted.

(The documents referred to were marked "Exhibits Nos. 1626-1 and 1626-2" and are included in the appendix on pp. 11707 and 11708.)

Mr. NEHEMKIS. Mr. Woods, Harris, Hall & Co. is in effect, I believe, the successor to the investment banking business of Harris Trust & Savings Bank. Do you know whether that is correct?

Mr. WOODS. I think in effect that is correct; yes.

Mr. NEHEMKIS. I have here, Mr. Chairman, a copy of a prospectus of Harris, Hall & Co., a public document, and I read to you one paragraph, if I may:

The company—

Referring to Harris, Hall & Co.—

is entitled to the benefits of a proposal made to Harris Trust and Savings Bank under date of October 28, 1935 and accepted by resolution of the Board of Directors of Harris Trust and Savings Bank adopted October 28, 1935. The said proposal, as accepted, contemplates that, when Harris, Hall & Co. shall commence business after the sale of the Preferred and Common Stock offered hereby, Harris Trust and Savings Bank shall, insofar as it may without violation of any confidence reposed in it and without impairment to its best interest and position in respect of dealings in securities which under existing applicable law and/or regulations it is permitted to distribute, on its own premises make available to Harris, Hall & Co. all information now in its possession in respect of its former connections and sources of securities other than those before mentioned, together with all contracts and/or established relations heretofore existing between Harris Trust and Savings Bank and the issuers and/or sellers of securities and all pertinent data in possession of the Bank in respect of the issuance of securities; and that Harris Trust and Savings Bank shall, in so far as its own best interests may permit, further endeavor to direct to Harris, Hall & Co. all opportunities coming to or to the knowledge of the Bank for the purchase of securities for distribution and shall permit Harris, Hall & Co. publicly and at all times and places to identify itself as successor to the said Harris Trust and Savings Bank in relation to the purchase of securities.

I have a letter, Mr. Chairman, addressed to counsel, dated September 18, 1939, from Mr. Norman W. Harris, vice president of Harris, Hall & Co., pertaining to certain information at his house on stock ownership, and so on. It is not pertinent to this discussion, but I

wish it to be in the record so the presentation may be complete. Accordingly, I offer it in evidence.

Acting Chairman REECE. It may be admitted.

(The letter referred to was marked "Exhibit No. 1627" and is included in the appendix on p. 11709.)

OWNERSHIP OF STOCK IN HARRIS, HALL & CO. BY OFFICERS OF THE FIRST BOSTON CORPORATION

Mr. NEHEMKIS. Mr. Woods, are not certain of the officers of The First Boston Corporation holders of preferred stock in Harris, Hall & Co.?

Mr. Woods. Not to my knowledge, Mr. Nehemkis.

Mr. NEHEMKIS. You have no recollection whether or not Mr. Addinsell or Mr. Linsley or Mr. Macomber or yourself hold any stock in Harris, Hall & Co.?

Mr. Woods. Well, when the stock was originally offered, I bought two or three hundred shares of the common stock. I subsequently sold it. I think that—I know that Mr. Macomber and Mr. Addinsell similarly bought a few shares of the common stock. Whether they still own it, I have no information.

Mr. NEHEMKIS. Will the reporter return to me the last letter that was offered and will the reporter be good enough to read the last question put to the witness?

REPORTER:

Mr. NEHEMKIS. Mr. Woods, are not certain of the officers of The First Boston Corporation holders of preferred stock in Harris, Hall & Co.?

Mr. Woods. Not to my knowledge, Mr. Nehemkis.

Mr. NEHEMKIS. Mr. Woods, would you be good enough to reconsider my question?

Mr. Woods. Well, I will be glad to reconsider it but as far as I am concerned I don't know of anybody that—

Mr. NEHEMKIS (interposing). Did you ever hold any stock?

Mr. Woods. I have held common stock. I understood you to say preferred stock.

Mr. NEHEMKIS. You have never held any preferred?

Mr. Woods. Not to the best of my knowledge.

Mr. NEHEMKIS. And you have no knowledge of any of the other officers holdings preferred?

Mr. Woods. That is correct.

Mr. NEHEMKIS. Have any of the other officers held any common stock?

Mr. Woods. Yes; I believe they have. As I said, I owned, I think, 200 shares of it at one time, which I purchased at the organization and subsequently disposed of.

Mr. NEHEMKIS. Do you know whether Mr. Addinsell still holds any common stock?

Mr. Woods. I don't know whether he still holds his stock. I imagine he does, and I imagine Mr. Macomber does.

Mr. NEHEMKIS. Mr. Linsley?

Mr. Woods. I don't know about Mr. Linsley.

Mr. NEHEMKIS. Would you be good enough to furnish the committee with a statement on that point?

Mr. WOODS. I would be delighted.¹

Mr. NEHEMKIS. Will you send it to me and I will duly offer it?

Mr. WOODS. Yes, sir.

Mr. NEHEMKIS. Mr. Woods, does the arrangement which existed between Harris, Forbes & Co. and Harris Trust & Savings Bank still prevail as between Harris, Hall & Co. and The First Boston Corporation?

Mr. WOODS. No. The arrangement that existed between the former firms you mentioned does not prevail as between The First Boston Corporation and Harris, Hall.

Mr. NEHEMKIS. Has not Harris, Hall & Co. occasionally attempted to claim the old 30-percent interest of First Boston originations?

Mr. WOODS. I am sure they may have; yes.

Mr. NEHEMKIS. And what disposition was made of those endeavors by you or your other officers?

Mr. WOODS. Well, various endeavors developed in the light of various sets of facts, and an agreement eventually was reached as to the interests of all the underwriters, including Harris, Hall.

Mr. NEHEMKIS. Has not The First Boston Corporation had occasion to intervene with the manager of an underwriting group in order to get Harris, Hall & Co. included in a syndicate?

Mr. WOODS. Yes; I believe we have done that.

Mr. NEHEMKIS. Do you know in which syndicate?

Mr. WOODS. I can't tell you right offhand.

Mr. NEHEMKIS. If I told you the Los Angeles Gas & Electric Co. syndicate, would that refresh your recollection?

Mr. WOODS. Yes; definitely, it would. I remember we did have some discussion with Blyth & Co. about the inclusion of Harris, Hall.

Mr. NEHEMKIS. Blyth & Co. was the leader of that financing?

Mr. WOODS. That is my recollection.

Mr. NEHEMKIS. This morning, Mr. Chairman, may it please the committee, Mr. Leib was good enough to stipulate concerning the authenticity and identification of certain letters which I propose to offer at this time. I would like to read from one letter to Mr. Harry M. Addinsell, chairman, executive committee, The First Boston Corporation, 100 Broadway, New York, from Mr. Charles E. Mitchell, chairman of the board of Blyth [reading from "Exhibit No. 1628-5"]:

Referring to our talk this afternoon regarding the underwriting of \$40,000,000 Los Angeles Gas & Electric Corp. First and General Mortgage bonds, series of 4s, due 1970, now in registration, it is agreed that your underwriting position in this business shall be revised from \$3,000,000 to \$2,500,000, and that this difference of \$500,000 shall be offered to Harris, Hall & Company, 111 West Monroe Street, Chicago, which has been done by letter today.

The remaining documents are confirmations between the respective parties to this arrangement. The letters are offered.

Acting Chairman REECE. They may be admitted.²

(The documents referred to were marked "Exhibits Nos. 1628-1 to 1628-8" and are included in the appendix on pp. 11710-11712.)

¹ Mr. Woods subsequently submitted the information requested. See "Exhibit No. 1696," introduced December 19, 1939, and appearing in appendix, p. 11826.

² Additional material on this subject was offered in evidence on December 14, 1939. See "Exhibits Nos. 1640-1 to 1640-4," appendix, p. 11746.

MR. ADDINSELL'S RECORDS OF THE FIRST BOSTON CORPORATION PARTICIPATIONS

Mr. NEHEMKIS. Does not Mr. Addinsell, chairman of your executive committee, make a practice of keeping notations of the participations which The First Boston Corporation receives in the originations of other banking firms?

Mr. WOODS. Yes; he does for his personal edification.

Mr. NEHEMKIS. And of the participation ceded by First Boston to other firms from its originations?

Mr. WOODS. I believe that is included in his record.

Mr. NEHEMKIS. And these records also contain notations with respect to estimated syndicate profits and comments thereon?

Mr. WOODS. That I do not know.

Mr. NEHEMKIS. Do you know whether these records to which I have referred are generally called in your shop "the little black books"?

Mr. WOODS. I don't know whether they are generally called "the little black books."

Mr. NEHEMKIS. What do you refer to them when you have occasion, if you do, to refer to these records?

Mr. WOODS. I think I probably refer to them as Mr. Addinsell's records of participations.

Mr. NEHEMKIS. I hand you two volumes of the so-called little black books. Would you look at them and tell me whether you have ever seen them before?

I should say that when Mr. Addinsell was good enough to make these available to the subpena of this committee, they were bound in black covers, and the originals having been returned, they are now in the more mundane covers of the commission.

Mr. WOODS. Yes; I recognize them.

Mr. NEHEMKIS. Have you seen those before?

Mr. WOODS. That is right.

Mr. NEHEMKIS. Now, let me just show you a typical record from one of these entries. It happens by chance to be Harris, Hall & Co. Will you examine this and tell me what the various notations are?

Mr. WOODS. This apparently is a record of the participation of our firm in issues headed by Harris, Hall.

Mr. NEHEMKIS. Well, what are the various notations? Suppose you start at the beginning.

Mr. WOODS (reading from "Exhibit No. 1630"): On March 26, 1936, Iowa Electric Light & Power Co., 4's, 1955, total principal amount \$3,600,000. Harris, Hall participation, stated in percentage, 36.8 percent. First Boston Corporation participation stated in percentage, 36.8 percent; in dollars, \$1,325,000. Estimated syndicate profits, \$21,-200. Under the heading "Comments" the notation is made "In previous issue."

Mr. NEHEMKIS. That is enough, just as an indication.

May I have that back, please?

Now, can you tell me, Mr. Woods, of your own personal knowledge whether it is customary for other banking houses to keep similar records of business ceded to other houses and the reciprocity in turn received from other houses?

Mr. WOODS. I have no personal knowledge of other houses keeping records such as Mr. Addinsell keeps.

Mr. NEHEMKIS. I have before me four sheets¹ pertaining to Harris, Hall & Co., and I note that Central Maine Power Co. 4's of 1960, amount \$15,600,000, First Boston participation 20.7 percent, Harris, Hall's participation 3.2 percent, the amount of the participation being \$500,000, contains this comment: "Succeeded Harris Trust interest"; and I note in the next issue of 11-21-35, Kansas Power & Light Co. 4½'s of '65, \$30,000,000 amount; First Boston participation 22.5 percent; Harris, Hall participation 1.7 percent; amount of the participation \$500,000; comment: "Succeeded Harris Trust interest."

Skipping along, I find 4-6-36, California Oregon Power Co. 4's, and so on; comment: "Harris Trust interest." Narragansett Electric Co. with the various entries similar to the one I have read, "Harris Trust interest."

Southern Kraft Corporation, and so on, "Harris Trust in parent company financing."

Now, Mr. Woods, I repeat to you the question I asked you earlier. Has not Harris, Hall & Co. attempted to claim and has it not claimed successfully, the old arrangement which existed between your predecessor organization and the Harris Trust & Savings Bank?

Mr. Woods. In point of fact, Harris, Hall hasn't made any such claim, Mr. Nehemkis. I would like to say to the committee that at the time your representative came into our office and approached Mr. Addinsell on the subject of borrowing this book of records that he keeps, both Mr. Addinsell and myself pointed out that these records had nothing to do with The First Boston Corporation. There is no member of the buying corporate underwriting department that passes on these comments that go in there. I subsequently discovered that most of the entries are all made by Mr. Addinsell's secretary and I wouldn't even hazard a guess as to the authorship of most of those comments. Speaking for The First Boston Corporation, I say to you frankly that the Harris, Hall people made no claim of a continuation of the arrangement that existed between the Harris Trust and Harris, Forbes & Company up through 1930. It is true that we in our organization recognizing that Harris, Hall has a very definite standing among the highest in the Middle West and has an adequate capital, do use our efforts insofar as we reasonably can, to see to it that they have a place in underwriting where it is possible to do so. That is by no implied or written agreement, though. It is by reason of no implied or written agreement.

Mr. NEHEMKIS. Mr. Woods, did I understand you to say that your impression is that Mr. Addinsell's secretary made these entries?

Mr. Woods. That is as I understand it.

Mr. NEHEMKIS. You mean the secretary, whoever she be, of her own volition, goes to these little records and makes notations without any instructions?

Mr. Woods. I explained to your man when he came to take these books, as did Mr. Addinsell, that these were in no sense official records of The First Boston Corporation. I pointed out clearly that I had no opinion as to whether the notations with respect to each firm named were complete, or incomplete, and I had no way of saying that the percentages that other firms had in our business or we had in other firms' business was accurate. I said we kept those records as

¹See Exhibit No. 1630," appendix, p. 11716.

a firm matter elsewhere. This is a book that Harry Addinsell keeps, as I said a few moments ago, for his own edification and it was given to your man, who has just recently left the room, with that express understanding.

Mr. NEHEMKIS. Do you wish the committee to understand, Mr. Woods, that a responsible, important person like Mr. Addinsell merely amuses himself by occasionally making entries in books and that otherwise these entries which are rather clearly labeled and concerning which you have identified them, "Percentage Participation, Estimated Syndicate Profit, Comments," are merely the idle amusement of a rather busy person?

Mr. Woods. No; I don't wish to imply they are the idle amusement of a rather busy person, but I do want to have perfectly clear that they are not the official records of The First Boston Corporation.

Mr. NEHEMKIS. Assuming they are not the official records of The First Boston Corporation, would you care to venture a guess as to what the purpose is in keeping these notations? What significance is there to these notations? Why should Mr. Addinsell feel it necessary to make these entries, and as you have observed, these are two fairly voluminous volumes, and from our examination they concern every underwriting house in America. What do you suppose Mr. Addinsell wants to make these entries for if they have no significance?

Mr. Woods. Well, I have discussed the matter with Mr. Addinsell.

Mr. NEHEMKIS. Before your testimony?

Mr. Woods. I beg your pardon?

Mr. NEHEMKIS. You said you discussed the matter with Mr. Addinsell, and I just asked, Before this testimony you are now giving?

Mr. Woods. At the time your man came into our office.

Mr. NEHEMKIS. What did Mr. Addinsell indicate was the purpose of these notations?

Mr. Woods. Well, he didn't make clear to me what the purposes of the notations were.

Mr. NEHEMKIS. Then the committee is to understand, Mr. Woods, that the senior officer of your organization keeps fairly careful and precise records, going back many years, and with contemporaneous notations of participations given to other firms, participations received by The First Boston Corporation, syndicate profits, comments on the historical origins of those businesses, for his own edification and that that has no bearing upon the business relationship of your house. Is that what you want the committee to understand? I want to be thoroughly clear about that, Mr. Woods.

Mr. Woods. May I have the reporter read that question?

(The reporter read back the immediately preceding question of Mr. Nehemkis.)

Mr. Woods. By "no bearing on the business relationship of my house," I presume you mean with the names listed?

Mr. NEHEMKIS. I will give you a concrete illustration of what I understand might happen.

Mr. Addinsell and your associates are in the process of starting a piece of syndication. You have a rough idea of the number of houses you want to include in it. Now, if this thing has any significance, the first thing Mr. Addinsell would want to do would be to refer back here to see whether he is under some reciprocal obligation,

in view of the fact that business has been ceded to First Boston by other houses, and he will then find what his obligation is. He got this business from so and so, or he received this business from this house, therefore he may be under an obligation to include that house in his origination. Does that sound plausible to you?

Mr. WOODS. It is entirely plausible.

Mr. NEHEMKIS. But you don't know whether it is a fact?

Mr. WOODS. On the contrary, I know that it is completely at variance with the facts, Mr. Nehemkis. We explained to the gentleman from your office, whose name escapes me, that came in to get this book for the purposes of having it photostated, that that very morning, as a mere coincidence, those of us in the buying and selling end of the business who were particularly interested had sat around and worked up, together with the sellers of the securities, a syndicate for an issue which we proposed to register the very next day. In point of fact, the issue was not registered and probably will not be registered until the turn of the year, but we said at the time, which was the fact, that we didn't refer to this book at all. In point of fact, I say to you that as a group of executives in our board meetings, to the extent we discuss makeups of syndicates in the board meetings, we never refer to this book.

Mr. NEHEMKIS. Let me read you from the entry under the name, "Morgan Stanley & Co., Participation of The First Boston Corp. in Issues Headed by Morgan Stanley & Co." Then, as the committee will recall from Mr. Woods' explanation, the various captions appear. The important things here are the comments [reading from "Exhibit No. 1631"]:

Ohio Edison Company in previous issue; Central New York Power Corporation, in old Utica Gas & El. issues; Consolidated Edison Co., Inc., of New York, in previous issue—

and so on, all comments on the relation of The First Boston Corporation or its predecessors to that business.

Do you suppose that Mr. Addinsell merely instructs his secretary to fill up that space and those comments are without significance? Or do you wish the committee to understand that those comments really have significance because they indicate the extent to which your firm is under a reciprocal obligation to Morgan Stanley & Co., Inc., or any other firm that has ceded your house business and to whom you must in turn cede business?

Mr. WOODS. Mr. Nehemkis, what I have said over the last 15 minutes with respect to the manner in which we conduct our business and set up these underwriting groups in consultation with the issuing companies are the facts and I really have nothing more to say about what the committee may understand from these papers.

Mr. NEHEMKIS. Mr. Chairman, I don't think it is necessary to print these two voluminous volumes. I think it will be satisfactory for the purposes of the record if we offer samples as illustrations of the larger content.

Acting Chairman AVILDSSEN. I think so. Have you selected the samples?

Mr. NEHEMKIS. I have, sir. And I offer five sheets dated as of February 28, 1939, headed, "Underwriting Participations * * * by the various firms in business, headed by The First Boston Cor-

poration." The second column contains this notation: "The First Boston Corporation's participations in business headed by the respective underwriting houses." There then appears the list of names and the dollars of the respective amounts.

I offer these five pages.

Acting Chairman AVILDSSEN. They may be received.

(The pages referred to were marked "Exhibit No. 1629," and are included in the appendix on p. 11713.)

Mr. NEHEMKIS. I now offer four sheets pertaining to Harris, Hall & Company, concerning which testimony has been given.

(The sheets referred to were marked "Exhibit No. 1630" and are included in the appendix on p. 11716.)

Mr. NEHEMKIS. And I now offer eight sheets pertaining to participations received in Morgan Stanley & Co. Incorporated originations.

(The sheets referred to were marked "Exhibit No. 1631" and are included in the appendix on p. 11717.)

Mr. HENDERSON. What is to be the disposition of these books, Mr. Nehemkis? I can readily see that they would be of tremendous value to competing houses, and have no purpose, I believe, to be served here.

Mr. NEHEMKIS. May I suggest that the committee impound these volumes and keep them in its own possession.

Mr. WOODS. Mr. Henderson, there is nothing in these books that isn't to be found in the registration statement covering the various security issues.

Mr. HENDERSON. All this work has been done, but might I just say that the last column of the notation—do we have a column like that, Mr. Bane?

Mr. WOODS. The last column wouldn't be covered. I withdraw that.

Mr. HENDERSON. We don't attempt to trace who had the previous piece of business and what the shares were, I believe.

Mr. BANE. A great many of these weren't registered. They were prior to that time.

Mr. HENDERSON. I am not suggesting that there is anything sinister in these volumes. I am suggesting that they would be highly valuable to other people in the business. I don't believe we ought to make them generally available.

Mr. WOODS. Let me say for my firm that as far as we are concerned anybody in the business could look at them.

Mr. HENDERSON. If that is your attitude, it is strange that we had such difficulty in getting them.

Mr. WOODS. Mr. Henderson, the reason that there was difficulty about getting these books was because Mr. Addinsell considered them his personal property and we went to great pains to make it clear to Mr. Nehemkis' group with whom we had no other even small differences of opinion—we worked along very well—that this was not information from the files of The First Boston Corporation, and I didn't realize it was going to be discussed at this length here today, and I just really want to have that quite clear because it was clear at the time the books were taken.

Mr. NEHEMKIS. Mr. Henderson, I think the record should clearly show that what Mr. Woods has said is correct. I think my staff has had the most cordial relations with Mr. Woods and his associates, and that The First Boston Corporation has cooperated with us fully and to

every extent possible. It is also correct that it was told to a member of the staff that these two volumes were the personal property of Mr. Addinsell and that if we desired them for purposes of this study they would be furnished to us under subpoena. This committee duly upon request issued a subpoena for these volumes. However, when the time came for serving the subpoena—you bear me out on this, Mr. Woods, if you will—Mr. Addinsell voluntarily relinquished them and no subpoena was served upon him.

I think that is a correct statement of the facts. Is that so, Mr. Woods?

Mr. Woods. That is wholly correct.

Acting Chairman AVILDSSEN. The committee will recess for a couple of minutes to discuss the matter of whether these shall be admitted into the record. Will you just stay there, Mr. Woods?

(Short recess.)

Acting Chairman AVILDSSEN. The committee will be in order.

Acting Chairman AVILDSSEN. We will resume the hearing. Mr. Henderson, will you please state for the benefit of the record your understanding of these sample pages from Mr. Addinsell's "little black book"?

Mr. HENDERSON. I understand that there is no objection if the entire record is made available, as suggested.

Acting Chairman AVILDSSEN. You mean to say Mr. Addinsell so expressed himself, or his counsel?

Mr. HENDERSON. His counsel.

Mr. NEHEMKIS. To be correct, Mr. Arthur Dean, of Messrs. Sullivan and Cromwell, who is representing Mr. Woods, has so indicated. Isn't that correct?

Mr. Woods. That is correct, and I will confirm that. There is no secret about any figure that is in these papers that were given to the committee, and I see no reason for treating them in a confidential fashion. If there is some mechanical objection to including them in the record, that is another question entirely.

Mr. HENDERSON. I was about to suggest, in order to save burdening the record, that we use the sample pages and place the rest of it in the committee's files as we do with similar documents.

Acting Chairman AVILDSSEN. Then the reporter will include these three sets¹ of sample pages in the record.

Mr. Woods. May I make one comment, Mr. Nehemkis, before we leave this part of our discussion? It may have been left in the committee's mind through the series of questions and answers that there was the possibility of some connection between the fact that Stone & Webster, Inc., own a block of stock which is, as I pointed out, less than 4 percent of the total of our stock, and the fact that that is a list of our underwritings in which Stone & Webster have had participations, and I would like to make perfectly clear in the minds of the committee that those of us who fix the participations have given consideration to fixing them from time to time to Stone & Webster's capital and their ability to distribute, and their general standing in the business. To my personal knowledge, Stone & Webster and Blodget have never made a request for a participation in a

¹ "Exhibits Nos. 1629, 1630, and 1631." The rest of the books are on file with the committee.

piece of business which we were handling, and mentioned or implied or suggested the ownership of that stock as being a factor in their making the request.

RELATION OF ALBERT W. HARRIS TO THE FIRST BOSTON CORPORATION AND TO
SOUTHERN CALIFORNIA EDISON CO.

Mr. NEHEMKIS. Mr. Woods, I show you a photostat of a letter to John R. Macomber, Esq., 1 Federal Street, Boston, Mass., from Mr. Albert W. Harris, dated August 6, 1934. Will you be good enough to tell me whether this is a true and correct copy of the original in your files?

Mr. WOODS. It is.

Mr. NEHEMKIS. It is offered in evidence.

Acting Chairman AVILDSEN. Admitted.

(The letter referred to was marked "Exhibit No. 1632" and is included in the appendix on p. 11721.)

Mr. NEHEMKIS. I should like to read a paragraph from that letter [reading from "Exhibit No. 1632"]:

I note what you have to say in connection with the Southern California Edison and Mr. Walker.

The committee will recall that I previously offered and read from a letter¹ referring to Mr. Walker's then pending visit to the west coast to see Mr. Bauer about this business [reading further from "Exhibit No. 1632"]:

I think I will repeat to you what I said to Mr. Walker. I told him that we were not out of the investment business, that we proposed to do as much bond business as we could do, that in the past six months we had done more municipal bond business than we ever had in any six months before, that we expected the Banking Law and the Securities Law to be changed so that the investment houses and banks could do more business, and that, while it might be necessary and desirable for us to make new connections, we did not propose to make any until we were off with the old; certainly we did not propose to help anybody who did not help us and if he wanted us to do anything for him he would have to do something for us first; that we were in the municipal bond business and the banking business and we wanted more trust business such as appointments as active trustees under mortgages, transfer agents and registrars for stock issues, and anything we could legitimately do, we expected to use our influence to help anybody that would use their influence to get business for us of the kind we could handle; that up to date we had not severed our connections with the old Chase Harris Forbes crowd; that we had not got down to considering any of the present rules and regulations very seriously, as we were confident they would have to be changed before business would improve; and incidentally, as far as the Southern California Edison and the San Diego situation were concerned he could talk to Mr. Bauer or he could talk to me and it did not make any difference which one he talked to, because he would be talking to the same fellow.

[Laughter.]

Now, Mr. Woods, according to Mr. Harris' philosophy, if an investment banking firm placed business with his bank in the way of deposits, trustee, or transfer agent business, and so forth, Mr. Harris was prepared to use his influence with corporations to obtain business for that investment banking firm. That would appear to be correct, would it not?

¹ See "Exhibit No. 1625," appendix, p. 11705.

Mr. Woods. Well, I dare say Mr. Harris would throw into the scales his judgment of the ability of the given investment banking firm to do the job in mind.

Mr. NEHEMKIS. And if Mr. Walker expected to do any business with the Southern California Edison people, he would have to do something, apparently, first for Mr. Harris. In other words, as far as Mr. Harris was concerned, it was a case of "cash on the barrel."

In the letter which I have just read, Mr. Harris said, "that up to date we had not severed our connections with the old Chase Harris Forbes crowd." Did this mean that the close working relationship between the two groups was still operative, despite the fact that the Banking Act had barred the Harris Trust & Savings Bank from underwriting activities?

Mr. Woods. Well, Mr. Nehemkis, I suppose that Mr. Albert Harris and Mr. John Macomber have been intimately associated with each other in a business way for at least 40 years, and probably closer to 45 years, and a relationship of that sort which has been a happy one over such a long period of time obviously is not going to be severed overnight. I don't know what was in Mr. Harris' mind when he wrote this letter, but knowing Mr. Harris reasonably well I think the phrase to which you refer merely means that he knows the people in the old Chase Harris Forbes organization, he knows the way their minds work and their ability, and he probably means that he proposes to continue to do business with them at least for the present.

Mr. NEHEMKIS. In the letter from which I have been reading, Mr. Woods, Mr. Harris said [reading from "Exhibit No. 1632"]:

As far as the Southern California Edison and the San Diego situation were concerned he—

Burnett Walker—

could talk to Mr. Bauer or he could talk to me and it did not make any difference which one he talked to, because he would be talking to the same fellow.

Now, Mr. Bauer is president of the Southern California Edison Co., and, I assume, a responsible official of that company?

Mr. Woods. And Mr. Albert Harris, if my memory serves me, is the oldest director of Southern California Edison Co., and his association with it dates back many, many years; it certainly antedates Mr. Bauer's incumbency as president by many years. My recollection is that Mr. Bauer 25 years ago was one of the junior members of the legal staff of the Southern California Edison Co., subsequently left, and went into the practice of law independently; and I am quite sure that when Mr. Bauer was a younger man in the legal division of the Edison Co., Mr. Harris made his acquaintance. I judge that Mr. Harris is using that rather picturesque way of saying that he and Mr. Bauer respect each other's judgment and enjoy a very close personal relationship.

Mr. NEHEMKIS. Mr. Harris was also at that time either president of the Harris Trust & Savings Bank or chairman of the board?

Mr. Woods. Either one or the other, although it is fair to say that the active management of the bank at this time was in the hands of Mr. Howard Fenton, and I believe Mr. Fenton was president of the bank at this time.

Mr. HENDERSON. Mr. Woods, I could go further toward accepting your explanation about Mr. Bauer and Mr. Harris were it not for some of the clauses that precede, namely, "that up to date we had not severed our connection with the old Chase Harris Forbes crowd; that we did not get down to considering any of the present rules and regulations very seriously." I mean, if it were taken separately, I think I could get this elder-junior relationship and this talking to the same fellow, though perhaps not so readily as you do. But it seems to me very plain that what Mr. Harris is saying is that "We are still in this thing, and you talk to me as you always have about the disposition of this business."

Mr. NEHEMKIS. Well, Mr. Commissioner, there was a question that occurred to me. It grows out of the same point you raised, and I wonder if Mr. Woods could enlighten me upon it. Is it customary—and you have had considerably more experience than I have in financial matters—for directors to be going around and telling bankers, "You don't have to speak to the president, you speak to me. I am his alter ego." Is that customary?

Mr. WOODS. Of course, it is not customary, Mr. Nehemkis, and I am quite sure that a relationship such as the one that Mr. Harris enjoys with the Southern California Edison Co. is even less customary. Mr. Harris, as I say, is probably the oldest member of the board of directors of the Edison Co., not only in point of years, but in point of years of service as a director.

Mr. HENDERSON. But it does say that anybody who wants to do business with us better be prepared to give us something we could legally take, does it not? In other words, if you want to do business on this particular item, we have to have a *quid pro quo* of some kind, in the way of trusteeships, transfer agencies, registrarships, and so forth.

Mr. WOODS. Well, Mr. Commissioner, your interpretation of this paragraph is just as good as anybody else's; certainly just as good as mine. But I would like to suggest you read the entire letter because if my memory serves me, most of it is taken up with the discussion of the relative merits of Arabian horses and kindred subjects and it is a chatty letter from one old friend to another old friend, and I am certain if Mr. Harris thought it was going to be subjected to the minute scrutiny that it is receiving here, he would have been very much more careful. [Laughter.]

The connotation of this paragraph should be taken for the entire letter.

Mr. HENDERSON. I have read the letter and it is a good salty letter. In fact, I think he is one of the best letter writers we have had before this committee in absentia.

Mr. NEHEMKIS. Mr. Woods, I show you a copy of a letter from the Harris Trust and Savings Bank, by Mr. Howard Fenton, addressed to Harry M. Addinsell and ask you to tell me whether it is a true and correct copy of an original in your possession?

Mr. WOODS. It is.

Mr. NEHEMKIS. I show you a letter to John R. Macomber, from Duncan R. Linsley, dated May 16, 1935, and ask you to tell me whether you recognize this as being a true copy?

Mr. WOODS. I do.

Mr. NEHEMKIS. And I show you a letter from B. W. Lynch of H. M. Byllesby & Co., addressed to Mr. Linsley, and ask you to tell me whether you recognize this as being a true copy.

Mr. WOODS. It is.

Mr. NEHEMKIS. I ask, Mr. Chairman, that the three letters just identified be offered in evidence.

Acting Chairman AVILDSSEN. Without objection, they may be admitted.

(The letters referred to were marked "Exhibits Nos. 1633 to 1635" and are included in the appendix on pp. 11722-11723.)

Acting Chairman AVILDSSEN. Mr. Nehemkis, could you tell the committee about how much more time you will require for this witness?

Mr. NEHEMKIS. I am going to try to finish in as short order as I can.

Acting Chairman AVILDSSEN. Any estimate?

Mr. NEHEMKIS. If you press me, sir, let's make it 20 minutes.

Acting Chairman AVILDSSEN. That will conclude the hearing today?

Mr. NEHEMKIS. That will conclude the hearing today; yes. I offer the seven documents previously identified from the files of Lehman Brothers.

Acting Chairman AVILDSSEN. They may be admitted.

(The seven documents referred to were marked "Exhibits Nos. 1636-1 to 1636-7" and are included in the appendix on pp. 11723-11726.)

Mr. NEHEMKIS. Now, in the letter from Mr. Fenton of the Harris Trust Bank to Mr. Addinsell, of which I show you a copy—suppose I give you it so you may follow it—I note that Mr. Fenton writes as follows, in the second paragraph of that letter [reading from "Exhibit No. 1633"]:

H. M. Byllesby & Company and their allied corporations keep substantial balances with the Harris Trust and Savings Bank and it certainly is good business for us to do everything we possibly can for them.

This would indicate, would it not, one of the advantages to be derived by an investment banker in keeping a substantial deposit account with a bank?

Mr. WOODS. Well, it would only indicate that if you assume the bank has some ability to function in behalf of the investment banker.

Mr. NEHEMKIS. Are such favors generally expected by investment bankers who keep substantial deposit accounts with a bank?

Mr. WOODS. They are not expected by my firm.

Mr. NEHEMKIS. Have you any personal knowledge as to whether other banking houses might expect such favors?

Mr. WOODS. No; I do not have.

Mr. NEHEMKIS. Generally speaking, Mr. Woods, is not the choice of which bank is to serve as registrar, transfer agent or trustee left to the investment banker who has been primarily responsible for setting up the syndicate and handling the underwriting?

Mr. WOODS. No; I wouldn't say that generally speaking that was true. In more recent years, the reverse is more generally true. The commercial banks are very diligent in pursuing issuing companies, with respect to those jobs. And I think it is becoming more and more customary for the issuing company to designate its trustee, its transfer agent, and its registrar.

Mr. NEHEMKIS. Let me read you from a letter just offered, from Edward J. Frost, of Wm. Filene's Sons Co., to Paul M. Mazur of

Lehman Brothers, 1 William Street, New York, August 6 [reading from "Exhibit No. 1636-1"]:

What arrangements are suggested with respect to Registrars and Transfer Agents for the new Federated Preferred Stock?

In this connection, the Old Colony Trust Company and The First National people, Boston, would like to act as Transfer Agents and Registrars, respectively.

And Mr. Mazur's reply [reading from "Exhibit No. 1636-2"]:

Ten days ago I spoke to Jack Kaplan on the telephone in reference to registrarship and transfer agency for Federated.

Note the next sentence:

Generally speaking, the choice of these two offices is usually left to the banker. Jack Kaplan told me that it was quite satisfactory for us to go ahead and name both registrar and the transfer agent. In line with that, we have selected J. P. Morgan & Co. as transfer agent, and have not yet reached a conclusion about the registrar.

So that at least one banker does think it is one of the functions of an investment banker to have something to say about who is to be the registrar or transfer agent.

Mr. Woods. You have apparently uncovered a difference of opinion between Mr. Mazur and myself. What is the date of that letter?

Mr. NEHEMKIS. August 6, 1936.

Mr. Woods. Well, as I said—

Mr. NEHEMKIS. (interposing). The reply was August 10, 1936, and while we haven't time for it, the record will show in connection with other letters that I have offered, dated June 26, 1937, March 3, 1938, February 28, 1938, June 20, 1938, that other bankers in your profession apparently think that a banker has something very specific to say about who gets a trusteeship.

As an indication of what other bankers think, I wish to read to you a memorandum, the authenticity of which has been stipulated to by Mr. Harold L. Stuart, under date of December 13, 1939. This is a memorandum to Mr. F. K. Shrader, Chicago Office [reading from "Exhibit No. 1637"]:

Samuel Armstrong, a Vice President in the Corporate Trust Department of the Chase whom I have known for a long time, telephoned today regarding the new issue of Public Service Company of Northern Illinois, which explained my wire to you. He inquired first whether the Bonds would be issued under a new mortgage and apparently we do not know the answer in this office. He then said that, of course, he was looking for trust business and in the event that there will not be a new mortgage, he wants to go after the New York paying agency job, unless we should be figuring on it for ourselves in which case he would do nothing about it * * *

If there is no conflict with our interests, he has in mind having his man in Chicago see what he can do and will you please wire me what I should say to him.¹

I offer this memorandum in evidence, Mr. Chairman.

Acting Chairman REECE. Without objection, it will be admitted.

(The memorandum and the accompanying letter of stipulation were marked "Exhibit No. 1637" and are included in the appendix on p. 11727.)

Mr. NEHEMKIS. Mr. Woods, I show you a number of documents which purport to come from the files of The First Boston Corpora-

¹ See "Exhibit No. 1669," appearing in Hearings, Part 23, appendix, p. 12210, for supplementary information on "Exhibit No. 1637."

tion. Will you be good enough to examine them and tell me whether they are true and correct copies?

Mr. WOODS. They are

Mr. NEHEMKIS. They are true and correct copies?

Mr. WOODS. That is right.

Mr. NEHEMKIS. They are offered in evidence.

Acting Chairman AVILDSEN. Without objection, they may be admitted.

(The documents referred to were marked "Exhibits Nos. 1638-1 to 1638-5" and are included in the appendix on pp. 11727-11730.)

PREPARATION OF SOUTHERN CALIFORNIA EDISON CO. SYNDICATE

Mr. NEHEMKIS. About March 2, 1935, after a considerable period of negotiation about Southern California Edison financing, your people began to consider the problem of syndication and the various houses that you would include in the group. I show you, Mr. Woods, a document¹ obtained from the files of your company, showing various syndicate percentage participations of the houses that you were considering. Is this a true and correct copy of an original in your possession?

Mr. WOODS. It is.

Mr. NEHEMKIS. Are you familiar with that sheet?

Have you ever seen it before?

Mr. WOODS. Yes; I have seen it before.

Mr. NEHEMKIS. Now, I note, Mr. Woods, that you have included 20 houses in your tentative list, and against these houses you have indicated certain order of appearances, and then you have indicated apparently in the first typewritten draft, percentage of participations and dollar participations, and then apparently, your syndicate manager has had occasion to make various changes and readjustments. Very briefly, will you indicate to the committee how it happens that the various changes take place. By way of suggestion to you, are there conversations between your syndicate manager and other houses as to whether or not the percentage to be allotted is satisfactory, discussions back and forth on that phase?

Mr. WOODS. Well, the answer to that is technically, yes. But those discussions have very little, if any, effect on the participations. This list that you have, which is from our files, is a very preliminary draft of an underwriting group which was prepared in connection with many discussions with Mr. Bauer, the president of the Southern California Edison Co., in the early part of 1935. It contemplates total underwriting of \$68,000,000, whereas the issue in fact was \$73,000,000, so that that would date this particular list, perhaps three or four weeks in advance of the actual filing of the registration statement.

In this particular situation, Mr. Bauer, the president of the company, had a few fixed and definite ideas of his own, and he indicated early in the proceeding that he was going to rely on us with respect to syndicate matters, primarily to inform him with respect to the financial ability and the ability to perform in the matter of distribution of the various bankers.

¹ "Exhibit No. 1639-1," appendix, p. 11730.

Mr. Bauer encouraged members in the investment banking fraternity to come and discuss the contemplated financing with him, it being his point of view that he was desirous of personally forming an opinion of the various houses by discussion with their partners.

I don't know just who actually made the numerous changes indicated on this list. I don't recognize the handwriting, but the list was arrived at ultimately in discussion between Bauer on the one hand and myself on the other, and I had the benefit of the point of view of my associates who were, of course, in the East at the time, and I communicated with them quite frequently.

Mr. NEHEMKIS. Mr. Woods, is it customary for your people who work up the syndication to keep a series of records similar to the one that we have been examining?

Mr. Woods. No; it is most unusual.

Mr. NEHEMKIS. This is rather an unusual document?

Mr. Woods. That is right.

Mr. NEHEMKIS. What do you do with your preliminary records after you get these various scratchings on the paper? Do you destroy them?

Mr. Woods. Dispose of them; after all, the only one that is important is the final one.

Mr. NEHEMKIS. Now, one statement in your testimony of a moment ago, if I understand you correctly, you said Mr. Bauer had not exercised any particular interest or veto power over the make-up of the syndicate, but left it pretty much to your people?

Mr. Woods. No; you misunderstood me. I said that he was very much interested in the make-up of the underwriting group and encouraged bankers to come to him, although he indicated early that he was going to leave us the business of checking up on the financial ability and the ability of the people to distribute. He wanted our judgment on that question.

Just generally, I would like to say, on the subject of the syndicate, as far as The First Boston Corporation is concerned, that our method of approach results in a great many of these preliminary drafts of a syndicate, all of which, as we have pointed out, are ultimately destroyed, because there is no real purpose in keeping them.

Our buying department, the officer in the buying end of the business—that is, the man in charge—invariably prepares a preliminary list. Similarly, the selling-department people prepare a list. The two lists are worked over and finally, after the buying and selling end of the business come more or less into an agreement on the make-up of the list, it is discussed with either Messrs. Macomber, Addinsell, or Pope for their final approval.

The matter is discussed with the company through the buying department as a running, continuous thing. You, of course, undoubtedly have in mind as the result of your very complete examination of our business that during the period of preparation of the list of underwritings, officers of the company, directors of the company, and officers and directors of that firm which has been designated as the syndicate manager, are simply besieged by requests for participations, and the question of working those things out is not left to any one person. They are always worked out in meeting by various departments in our firm and the issuer.

Mr. NEHEMKIS. Mr. Bauer, as a matter of fact, had a very active part in the make-up of the syndicate. For example, as I recall it, he objected to several underwriting houses being included. He didn't want Bonbright or Byllesby in the group, and he called your specific attention to the fact that you had omitted the Pacific Co.

Mr. Woods. Mr. Bauer has a very definite point of view about anything he is associated or identified with, and anybody that is in the immediate neighborhood never has any misunderstanding of what his point of view is, and he did have a lot to do with the make-up of that syndicate.

Mr. NEHEMKIS. Would you venture to say, Mr. Woods, that it should be the active duty of corporate management to concern itself with the make-up of a syndicate rather than leave it to the exclusive judgment of a banking house?

Mr. Woods. I definitely think that, and I furthermore think that has gotten to be a quite general practice.

Mr. NEHEMKIS. In other words, there is a trend in that direction? Corporate management is assuming more and more of an active part in the make-up of the syndicate list?

Mr. Woods. There was a trend in that direction, and I think that objective has been pretty much achieved.

Mr. NEHEMKIS. Now, Mr. Woods, I show you a document¹ from your files showing the historical participants in the business of the Southern California Edison Co. on the 5's of 1952 which were offered in 1927, and will you be good enough to tell me whether this as a true and correct copy of an original in your custody and possession?

Mr. Woods. It is.

Mr. NEHEMKIS. And while you have that list in your hands, will you be good enough to read off the percentage allotments that were given to the group on that early offering?

Mr. Woods. This offering,¹ which was made in the middle of September, 1927, indicates Harris, Forbes & Co. with an interest of 30%, E. H. Rollins & Sons, 30%; National City Co., 10%; Coffin & Burr, 3%; First Securities Co. of Los Angeles, 7%; Blyth, Witter & Co., 4%; Wm. R. Staats of Los Angeles, 4%; Security Trust Co. of Los Angeles, 2½%; American National Bank, San Francisco, 2%; Bond, Goodwin & Tucker of San Francisco, 7½%.

Mr. NEHEMKIS. Mr. Woods, can you tell me, if you can from memory, the members of the group that composed the 1935 syndicate and their percentage allotments?

Mr. Woods. I can't possibly do that from memory.

Mr. NEHEMKIS. Perhaps this will refresh your memory. This is from your own files.

Mr. Woods. Yes; this does refresh my memory. Would you like me to read the participations?

Mr. NEHEMKIS. Just give us the names of the members of the 1935 group and tell us as you go along which of those people were in the earlier group.

Mr. Woods. In April 1935, Southern California Edison had an issue of \$73,000,000 of mortgage bonds. First Boston Corporation had a 25 percent interest.² We have discussed the connection between

¹ "Exhibit No. 1639-2," appendix, p. 11731.

² Ibid, also "Exhibit No. 1639-14," appendix, p. 11737.

First Boston Corporation and Harris, Forbes & Co. E. H. Rollins & Sons had a 11½% interest; in the '27 business their interest was 30%. Blyth & Co. had a 10% interest; in the '27 business Blyth, Witter & Co. had a 4% interest, Brown Harriman & Co. had a 7½% interest; they were not in the '27 business.

Mr. NEHEMKIS. Did they take anyone's place who was in the '27 business?

Mr. WOODS. That is difficult for me to say five years after. My recollection is that we had Brown in there because they were really very good people.

Mr. NEHEMKIS. Would you pass me that historical sheet for a moment? Would you venture the suggestion that Brown was invited in because you wanted Brown to take the position of National City Co.?

Mr. WOODS. No; I wouldn't, Mr. Nehemkis.

Mr. NEHEMKIS. That is just pure coincidence?

Mr. WOODS. Lazard Frères in the '35 business had a 7½% interest. E. B. Smith & Co. in the 1935 business had a 7½% interest.

Mr. NEHEMKIS. May I ask whether E. B. Smith was invited to take anyone else's place?

Mr. WOODS. No; I wouldn't think so. There is nobody on the old list that might justify that thought.

Dean Witter & Co. had a 7½-percent interest in the '35 business. At the time the '27 business was done, Mr. Witter was a partner of Blyth, Witter & Co. Field, Gloré & Co. had a 5-percent interest in the '35 business. William R. Staats Co. had a 4-percent interest in the '35 business and that firm had a 5-percent interest in the '27 business. Kidder, Peabody & Co. had a 4-percent interest in the '35 business. Their name doesn't appear on the previous list. White, Weld & Co., 4 percent. Their name doesn't appear on the earlier list. Coffin & Burr, 3½ percent; Coffin & Burr had 3 percent in the '27 business. Pacific Co. of California, 2 percent. Their name does not appear on the earlier list. Stone & Webster and Blodget, 1 percent; their name does not appear on the earlier list.

Mr. NEHEMKIS. I have one more question to ask you, Mr. Woods. A short time ago, If I understood you correctly, you said that Mr. Bauer left it to the discretion of your house to check up on the financial responsibility of the prospective members of the underwriting group that you were considering. How does an underwriter go about ascertaining that kind of information?

Mr. WOODS. Well, there are various ways of having a point of view about it. Of course, the obvious, the most straightforward way is to ask the partners of the house concerning which the question is raised for a statement of their condition.

Mr. NEHEMKIS. Do you ever have occasion to do that?

Mr. WOODS. We have done it on infrequent occasions.

Mr. NEHEMKIS. I am sorry, I didn't hear that.

Mr. WOODS. We have done it on infrequent occasions. Being in the business, Mr. Nehemkis, on a day-to-day basis over a long period of years, and following the general activities of the numerous firms and partnerships, one learns to have a point of view about the relative ability from the standpoint of both capital and distribution of the various firms. I wouldn't attempt in a casual, offhand fashion to

describe to the committee just how one with that experience and background goes about it.

Mr. NEHEMKIS. Do you make it a practice generally, Mr. Woods, in making up your syndicate list, to check on the financial position or the outstanding underwriting commitments of the various houses that you contemplate including in the list?

Mr. Woods. I wouldn't put it as formally as to say that we check on it.

Mr. NEHEMKIS. But you somehow or other, maybe through a process of osmosis, get that information.

Mr. Woods. We have it in mind; yes.

Mr. NEHEMKIS. I wish you would enlighten the committee as to just how you go about it. I have perhaps mistakenly been under the impression that that is rather confidential information. People don't go around giving out their balance sheets unless they are subpoenaed by this committee. Just how do you get that information? Let me be very blunt, if I may. This is a purely hypothetical question, and of course would never happen. Suppose your firm contemplates including Morgan Stanley & Co., Incorporated, in a syndicate. Would you by chance pick up the telephone and call Harold Stanley and say, "Harold," if you so address him, "I would like to come over and get a look at your financial condition." Would Harold say, "Come ahead, George, I'll show it to you." Is that the way it is done?

Mr. Woods. Well, perhaps I might answer you by saying that within the past 3 weeks there was an issue, registered under the Securities Act, and finally offered to the public with the various approvals required under the Holding Company Act, of a utility in Indiana, and the president of that company addressed a letter to each prospective underwriter and requested that the prospective underwriter, in view of the fact that business was progressing, furnish him with a statement of his condition as of some recent date, certified either by a public accountant or by a competent officer of the company. That is one way of doing it.

Another way of doing it, which is perhaps more usual, although the way I have outlined may well be coming into fashion—I have no opinion on that—is on a day-to-day basis to follow the business that is carried on by various concerns. We have in our organization two men who are intimately acquainted with the partners of a great number of investment banking firms all over the country. What an investment banker does nowadays is entirely public, there is no difficulty at all to be apprised of the activities of the firm.

Mr. NEHEMKIS. Could you obtain the reports submitted to the New York Stock Exchange by partnership houses as a further method of ascertaining the capital position of a house?

Mr. Woods. I am not familiar with the conditions under which those reports are furnished to the stock exchange.

Mr. NEHEMKIS. Could you possibly obtain the reports that are filed by corporations in those States which require corporations to file balance sheets?

Mr. Woods. Under their various "blue sky laws"?

Mr. NEHEMKIS. Yes.

Mr. Woods. Yes; I am quite sure that is public information.

Mr. NEHEMKIS. Does your house ever have occasion to utilize that?

Mr. Woods. Not to my knowledge.

Mr. NEHEMKIS. In other words, if I understand you correctly, the people in your house who are intimately acquainted with this problem and charged with the responsibility of knowing the financial position of other houses, through the familiarity and acquaintanceships that they have on the street, somehow or other get to know this.

Mr. Woods. They have a very good idea of the ability of the various firms. Of course, while it is difficult to arrive at a mathematical, so to speak, answer to the question that you have raised, since we have been in business in The First Boston Corporation we have never had a particle of difficulty in the direction of a failure of either an underwriter, or, for that matter, a member of the selling group, to take up his securities. I don't mean to say that in perhaps remote cases one or two members of a selling group have not called up and said they would rather cancel, but it doesn't amount to a thing and there is usually a very good reason for it, but the system, as far as we are concerned, work because we have been through some rather difficult times, and as you well know there have been two or three issues which underwriting bankers were forced to take up and pay for on the delivery date which hadn't approached public distribution.

Mr. NEHEMKIS. I have no further questions, Mr. Chairman.

Acting Chairman AVILDSSEN. Are there any other questions?

Mr. NEHEMKIS. Before dismissing the witness, I should like him to identify for the record several documents. Mr. Woods, do you want to look at these documents? Will you run over them quickly and tell me whether they come from your files?

Mr. Chairman, you may be interested to know the witnesses whom we propose to call for tomorrow's session before the committee. At the morning session the witness will be Mr. Charles E. Mitchell, and at the afternoon session Mr. B. A. Tompkins, vice president of the Bankers Trust Co., of New York.

Acting Chairman AVILDSSEN. The Chair also wishes to announce that a subcommittee of this committee will meet in Room 357 of this building tomorrow morning at 10:30 to resume the insurance hearings.¹ Mr. Herndon will be the witness at that hearing.

Mr. Woods (handing over documents). They come from our files.

Mr. NEHEMKIS. I offer for the record, Mr. Chairman, this file of documents, identified by the witness.

Acting Chairman AVILDSSEN. Without objection they may be admitted.

(The documents referred to were marked "Exhibits Nos. 1639-1 to 1639-23" and are included in the appendix on pp. 11730-11744.)

Acting Chairman AVILDSSEN. This committee may be adjourned until 10:30 tomorrow morning.

(Whereupon at 4:40 p. m. a recess was taken until 10:30 a. m., Thursday, December 14, 1939.)

¹ Hearings on reinsurance and rewriting of insurance held before a subcommittee of this Committee December 7, 8, 14, 15, 20, 21, and 22, 1939; included in Hearings, Part 13, pp. 6601-6950.

INVESTIGATION OF CONCENTRATION OF ECONOMIC POWER

THURSDAY, DECEMBER 14, 1939

UNITED STATES SENATE
TEMPORARY NATIONAL ECONOMIC COMMITTEE,
Washington, D. C.

The committee met at 10:45 a. m., pursuant to adjournment on Wednesday, December 13, 1939, in the Caucus Room, Senate Office Building, Senator Joseph C. O'Mahoney presiding.

Present: Senator O'Mahoney, chairman; Representative Reece; Messrs. Henderson, O'Connell, Arnold, Avildsen, and Brackett.

Present also: Charles L. Kades, Treasury Department; Ganson Purcell, Securities and Exchange Commission; Hugh B. Cox, Department of Justice; Clifton M. Miller, Department of Commerce; Theodore J. Kreps, economic adviser to the Committee; and Peter R. Nehemkis, Jr., special counsel, and Samuel M. Koenigsberg, associate attorney, Securities and Exchange Commission.

The CHAIRMAN. The committee please come to order. Mr. Nehemkis, are you ready to proceed?

Mr. NEHEMKIS. I am, sir.

The CHAIRMAN. Will you call your first witness.

Mr. NEHEMKIS. Mr. Charles Huff, please.

TESTIMONY OF CHARLES HUFF, ASSOCIATE UTILITIES FINANCIAL ANALYST, SECURITIES AND EXCHANGE COMMISSION, WASHINGTON, D. C.—Resumed

Mr. NEHEMKIS. Mr. Huff, you have had occasion to examine the files of Harris, Hall & Co. in Chicago, have you not?

Mr. HUFF. I have.

The CHAIRMAN. You have been sworn, have you not?

Mr. NEHEMKIS. He has, sir.

I show you certain documents which you have obtained from the files of that company and ask you to tell me whether they were furnished to you by responsible officials of Harris, Hall & Co.?

Mr. HUFF. Yes, sir.

Mr. NEHEMKIS. That is all, Mr. Huff.

Mr. Chairman, may I just explain to you, having been absent yesterday, we were discussing the relationship between Harris, Hall & Co., which succeeded to the investment banking business of the Harris Trust & Savings Bank of Chicago, and the relationship of those two organizations to The First Boston Corporation.

The material which has just been identified arrived by mail from Chicago this morning and of course was not available for introduction to the record yesterday.

So I should like at this time to introduce this material.

The CHAIRMAN. Without objection, the material may be received. You wanted it printed in the record?

Mr. NEHEMKIS. I do, sir.

The CHAIRMAN. It may be received for printing.

(The documents referred to were marked "Exhibits Nos. 1640-1 to 1640-45" and are included in the appendix on pp. 11746-11768.)

RELATIONSHIP BETWEEN HARRIS, HALL & COMPANY AND THE FIRST BOSTON CORPORATION

Mr. HENDERSON. Do you feel that this bears on any particular question that was up for consideration yesterday? I mean, what is the purpose of introducing that material?

Mr. NEHEMKIS. I think, sir, if it is the pleasure of the committee, the question can readily be answered by a slight reading of two of the documents. Thus, for example, a letter from Mr. Hall to Mr. John E. Barber, vice president of the Middle West Corporation, dated December 4, 1935 [reading from "Exhibit No. 1640-39"]:

I am writing you to say that the firm of Harris, Hall & Company is actively engaged in business, having joined in underwriting several old Harris utility issues and having up for consideration several originations of our own.

You know, I think, that we have succeeded to the corporation bond business of the Harris Trust and Savings Bank. Under the Banking Act of 1933, the Bank can no longer perform its longstanding function as investment banker for a large group of corporations, many of them utilities. We have thought that the passing of the Harris Trust and Savings Bank out of this field in Chicago, left a gap and we are going to attempt, with due modesty, but with lots of confidence, to fill this gap. We think we have fallen heir to a unique position in the Middle West and are anxious to bring before your Company our facilities for serving you.

And the other letters are of a similar tenor. Now you may recall, Mr. Commissioner, and gentlemen of the committee, that the question was put to witness Woods yesterday whether pursuant to the old agreement that existed between the Harris Trust & Savings Bank and Harris, Forbes and Company, Harris Hall, the successor to the business of the bank, had attempted to claim any of the new business of First Boston, pursuant to the old arrangement, and the next telegram bears upon that point.

This is a telegram from Mr. G. B. Heywood, to Norman W. Harris of the Harris Trust & Savings Bank, dated November 4, 1935, and—

Mr. HENDERSON (interposing). Who is the writer of the telegram?

Mr. NEHEMKIS. Mr. Heywood is an official, I believe, of Harris, Hall & Co. Is that correct? [to Mr. Huff.]

Mr. HUFF. He is vice president.

Mr. NEHEMKIS. I call to your attention that the telegram is directed to the bank. The first word was apparently a code word, which means Los Angeles Gas & Electric Co. officials [reading from "Exhibit No. 1640-1"]:

"—say deal all made with underwriters too late include us. Only chance would be to get Blyth who will head deal to give us position stop Please pass information on to Bower—

Bower being an officer of Harris, Hall—

and Hall and suggest they see Blyth in New York soon as possible.

Regards.

G. B. HEYWOOD.

Now, the evidence yesterday¹ showed that Blyth & Co., at the request of Mr. Addinsell, gave up an interest in that business so as to take in Harris, Hall & Co., and these documents are further corroboration of the line of testimony which was presented to you yesterday.

Mr. HENDERSON. You mean the line of inheritance?

Mr. NEHEMKIS. That is a more accurate statement; thank you, sir.

Mr. MILLER. Mr. Nehemkis, if I may ask, are any witnesses being called from Harris, Hall & Co. with relation to these documents that you are introducing?

Mr. NEHEMKIS. It is not contemplated, sir, to call any witnesses from that company unless it is the pleasure of the committee to do so. It had seemed to us that Mr. Woods was competent to discuss the whole matter, and at that time these documents were not available to us, and you will recall only two documents were introduced yesterday from that particular firm, and it seemed like an imposition to ask somebody to come from Chicago merely to identify two documents.

Mr. HENDERSON. Let me ask you this, Mr. Counsel: Harris, Hall is aware of what documents have been taken by the investigators?

Mr. NEHEMKIS. Yes; it is always our practice to sign a statement in which all documents taken from the files are enumerated, and that statement is left with the official who has been aiding the particular member of the staff.

Acting Chairman REECE (as the chairman leaves the table temporarily). Without objection, the documents referred to may be received.

Mr. NEHEMKIS. I should like to call as our first witness this morning Mr. Charles E. Mitchell.

Acting Chairman REECE. Do you solemnly swear the testimony you are about to give in this proceeding shall be the truth, the whole truth, and nothing but the truth, so help you God?

Mr. MITCHELL. I do.

**TESTIMONY OF CHARLES E. MITCHELL, CHAIRMAN, BLYTH & CO.,
INC., NEW YORK, N. Y.**

Mr. NEHEMKIS. Mr. Mitchell, will you be good enough to state your full name and address, please?

Mr. MITCHELL. Charles E. Mitchell.

Mr. NEHEMKIS. And what is your present business connection, Mr. Mitchell?

Mr. MITCHELL. Chairman, Blyth & Co., Inc.

Mr. NEHEMKIS. And prior to that what was your business connection and association?

Mr. MITCHELL. Just prior thereto I had a small corporation of my own and did some business, and prior thereto I was chairman of the National City Bank of New York and the chairman of the National City Co.

Mr. NEHEMKIS. Mr. Mitchell, in response to a communication from me dated August 18, 1939, did you cause to have prepared certain

¹ Supra, p. 11528.

schedules showing the originations and participations and profits of Blyth & Co.?

Mr. MITCHELL. I did.

Mr. NEHEMKIS. I show you a document which purports to be those schedules and ask you to identify this document.

Mr. MITCHELL. That is the document furnished.

Mr. NEHEMKIS. I ask that the document identified by the witness be marked for identification.

Acting Chairman REECE. It may be so marked.

(The document referred to was marked "Exhibit No. 1641" for identification.)

Mr. NEHEMKIS. There was, Mr. Chairman and gentlemen of the committee, offered in evidence yesterday a letter¹ from a former associate of Mr. Mitchell's, Mr. Eugene M. Stevens, to Mr. Harris Creech, president of the Cleveland Trust Co. With leave of the committee, I should like at this time to read a passage from that letter [reading from "Exhibit No. 1604"]:

As I have said, Mr. Mitchell, the Chairman of our Board, was formerly the head of the National City Company and of the National City Bank, and is responsible for the development of the National City Company from a three man personnel to a point where it had become the largest organization of its kind in the country, all of which was entirely under his leadership. He, in fact, was ultimately responsible for the negotiation and consummation of the pieces of financing which the National City Company did. It would definitely appear, therefore, that if there is any claim for the National City business as a heritage, that we could make such a claim—perhaps on better grounds than any other investment banking firm.

And the committee will also recall the testimony of Mr. George Leib, a fellow officer of Mr. Mitchell. The question was put to Mr. Leib:

Mr. NEHEMKIS. Now, 1933 was also the year which witnessed the passage of the Banking Act. That meant, did it not, Mr. Leib, that certain individuals that formerly had commercial banking connections would be free to make new connections with investment banking firms?

Mr. LEIB. That is correct.

Mr. NEHEMKIS. And about the time that you came to your New York office for the purposes which you have described you began looking about for an individual to take into the firm, someone who had broad contacts on the street, a person who knew, shall we say, the "deer runs" of the Wall Street district, do you recall?

Mr. LEIB. I recall that our New York office had not made any headway and we were very active, very anxious to get someone in New York who could be helpful in developing eastern business. The word "deer runs" is a word I think you get from one of my letters. I may have used it. It means to be familiar with the investment banking activity as it exists in the East, just as we were with the investment activity existing in the West. That means to have personal contacts with the executives of the large companies of issue, to be familiar, to have known them for years, to have known the financial set-ups of a great many companies back here. That was what we were working to do, very assiduously.

Mr. NEHEMKIS. And you found that individual who knew, if I may again quote your excellent phrase, the "deer runs" of the Wall Street district in the person of Charles E. Mitchell, did you not?

Mr. LEIB. He was found for us.

Mr. Mitchell, can you tell me who found you for Mr. Leib?

Mr. MITCHELL. I am sorry I can't.

¹ See "Exhibit No. 1604," appendix, p. 11665.

Mr. NEHEMKIS. I thought possibly as I read the transcript over last night that you might have been able to enlighten me as to who the finder was.

Mr. HENDERSON. I would suggest a finder's fee.

Mr. NEHEMKIS. Heaven forbid, Mr. Commissioner!

RETURN OF "THE MORGAN PEOPLE" TO THE INVESTMENT BANKING BUSINESS

Mr. NEHEMKIS. Mr. Mitchell, I show you a letter written by you to your San Francisco partner, Mr. Charles Blyth, dated July 31, 1935. Will you examine it and tell me whether this is a true and correct copy of the original in your files?

Mr. MITCHELL. Excuse my time.

Mr. NEHEMKIS. Quite all right.

Mr. MITCHELL. It is.

Mr. NEHEMKIS. It is a true and correct copy?

Mr. MITCHELL. I would say so.

Mr. NEHEMKIS. It is identified by the witness and is offered.

The CHAIRMAN. The letter may be received.

(The letter referred to was marked "Exhibit No. 1642" and is included in the appendix on p. 11768.)

Mr. NEHEMKIS. The letter reads:

I am satisfied as a result of my talk with Whitney—

Is that Mr. George Whitney?

Mr. MITCHELL. Yes.

Mr. NEHEMKIS (reading further):

this afternoon that the Morgan people will shortly be back in the investment banking business, possibly within the next fortnight and certainly by the first of September. I think they are waiting at the moment to see if the underwriting amendment in the banking bill will pass, and regarding this they are more optimistic than they have been.

Mr. Mitchell, was that one of the subjects of your conversation with Mr. Whitney at the time?

Mr. MITCHELL. I assume it was. When was that letter written?

Mr. NEHEMKIS. This was written July 31, 1935. To the best of your recollection?

Mr. MITCHELL. It must have been.

Mr. NEHEMKIS [reading further from "Exhibit No. 1642"]:

If it does not pass I am sure they are prepared to act in another direction, my guess being that they will set up Drexel & Company as an investment banking house, leaving J. P. Morgan & Company in the commercial banking business.

May I assume also, Mr. Mitchell, that that subject was part of your discussion with Mr. Whitney?

Mr. MITCHELL. I can hardly say so. If I hazard a guess, I would say that it was probably not a subject that was discussed.

Mr. NEHEMKIS [reading further from "Exhibit No. 1642"]:

I have a feeling that their re-entry in one form or another will be to our benefit.

By that you meant, to the benefit of Blyth & Co.?

Mr. MITCHELL. I would have said, it would have been to the benefit of the Street and Blyth. What I had in mind at that time I can't say, but certainly to the benefit of the entire situation.

Mr. NEHEMKIS. I think you had that in mind, as the next phrase indicates. [Reading further:]

As they will be constructive in leadership and I am sure will count us as close allies.

How did you envisage, Mr. Mitchell, that the return of the Morgans to business would constitute constructive leadership?

Mr. MITCHELL. I think after 25 years of experience in the Street that that was a sound assumption on my part.

Mr. NEHEMKIS. Well, I wonder if you couldn't expound that just a little more?

How did the Morgans manifest constructive leadership in the banking business?

Mr. MITCHELL. I would say that from the time the investment banking business was conducted by J. P. Morgan & Co., in my experience, and I would say as well with respect to commercial banking and general banking business, that that firm stood at the very peak as to ethics, understanding, and leadership, always working for the best, and making order many, many times out of chaos.

Mr. NEHEMKIS. Would you say, Mr. Mitchell, that other members of the financial community likewise regard the House of Morgan as symbolizing constructive leadership in the business?

Mr. MITCHELL. I would say so. Of course, no man is so great that he hasn't enemies.

Mr. NEHEMKIS. Continuing with this letter ["Exhibit No. 1642"]:

The only lingering doubt that I have regarding our position in their groups—

Did that mean the Morgan syndicates?

Mr. MITCHELL. That is, such groups as might be made up by anyone, by anyone handling the investment banking business.

Mr. NEHEMKIS. I was inquiring, Mr. Mitchell, about the phrase, "their groups"? Did that mean the Morgan syndicates to be organized in the future?

Mr. MITCHELL. Yes.

Mr. NEHEMKIS [reading further from "Exhibit No. 1642"]:

lies in the fact that historically they have what you and I would probably consider an undue respect for capital and are inclined to use that yardstick in their line-ups to far too great a degree.

Now, don't the Morgans have other yardsticks than capital? For example, shall we say, the historical relation of a house to a piece of business?

Mr. MITCHELL. Mr. Counselor, I think that I expressed myself quite accurately there when I said they perhaps put too great a stress, too great emphasis. Of course, they consider all of these other things and the historical relation, but I think I expressed my thought accurately in that statement.

Mr. NEHEMKIS. Then you continued [reading further from "Exhibit No. 1642"]:

I am sure that they—
meaning the Morgans—

are already laying out fall business in volume.

By "they" you meant the Morgans?

Mr. MITCHELL. Yes.

Mr. NEHEMKIS. Because you have earlier indicated—

Mr. MITCHELL (interposing). Mr. Whitney was the one I had talked about.

Mr. NEHEMKIS [reading]

I am sure that they are already laying out fall business in volume.

I assume that you had that impression as a result of your talk with Mr. Whitney?

Mr. MITCHELL. I would not go that far, Mr. Counselor. I think that the Street, in general, knowing what financing would have to come, and knowing that financing to have been the business of J. P. Morgan & Co., knowing that new financing must come, would assume that there was being laid out financing in volume from that mass of business.

Mr. NEHEMKIS. If I understand correctly what you are saying, Mr. Mitchell, it was the general impression on the Street that the old Morgan accounts were coming up for refunding, maturities had to be met, and the Morgans would continue to handle that business.

Mr. MITCHELL. I think that is a fair assumption. I hope that in these letters you realize that I am writing informally to a partner of mine and not selecting my words for interpretation in a hearing such as this sort. It is rather my general impression, stated at that time, and to go back and pick words out of the air 5 years back is a little difficult.

Mr. NEHEMKIS. I assume that is correct and I shall try and help you as much as possible in that particular.

To continue with the letter [reading from "Exhibit No. 1642"]:
and that this will include a substantial amount of Telephone business and, I regret to say, Consolidated Gas business.

Do you recall the reason for the phrase, "I regret to say, Consolidated Gas business," Mr. Mitchell?

Mr. MITCHELL. Yes; I recall that quite well.

Mr. NEHEMKIS. Well, I will have occasion at a later moment to go into the subject with you. I wanted to be sure your memory was clear on the subject.

Now, at the time that you became chairman of the board of Blyth & Co., were you not indebted to J. P. Morgan & Co. in a considerable sum?

Mr. MITCHELL. I certainly was, and the world knew it.

Mr. NEHEMKIS. Are you indebted now?

Mr. MITCHELL. I am not.

Mr. NEHEMKIS. One of the reasons which made you extremely valuable to Blyth & Co. was the extent of your intimate relations with the firm of J. P. Morgan & Co., was it not?

Mr. MITCHELL. Oh, I would say my knowledge of the Street, through a very long period of years, but I doubt very much, indeed, if Blyth & Co. became interested in me at all through my special acquaintance with J. P. Morgan & Co.

Mr. NEHEMKIS. Now, after you wrote to your partner on the west coast, Mr. Blyth, you received from him a letter of reply. I show you that letter dated August 2, 1935, and ask you to tell me whether it is a true and correct copy of an original in your possession?

Mr. MITCHELL. Such a bad copy. You are going to read this, aren't you?

Mr. NEHEMKIS. Well, I hope to be able to read it.

Mr. MITCHELL. I will grant that it is true, but a very bad copy.

Mr. NEHEMKIS (to assistant). Do you have any mimeographed material that Mr. Mitchell might look at?

The letter identified by the witness is offered in evidence.

The CHAIRMAN. It may be received.

(The letter referred to was marked "Exhibit No. 1643" and is included in the appendix on p. —.)

Mr. NEHEMKIS [reading from "Exhibit No. 1643"]:

I'm not particularly concerned that J. P. Morgan & Co. are going to return to the investment banking business—it was inevitable. Our main job is to get under the covers and as close to them as is possible.

Now, I think I know what that phrase means, but I wonder if you couldn't enlighten me and perhaps clarify it so that there might not be any misunderstanding.

Mr. HENDERSON. We can go on without that.

Mr. NEHEMKIS (reading further):

While I recognize the eloquence of adequate capital, I also am a believer in the efficacy of strong personal relationships. That you have such with the Morgan institution is a certainty. * * *

Of course Morgan & Co. will naturally fall heir to some of the bigger utility accounts, but that doesn't mean they won't recognize us in a substantial way—certainly in distribution and probably also in underwriting.

I suppose Mr. Blyth had in mind such accounts as Niagara Hudson?

Mr. MITCHELL. I can't tell you what Mr. Blyth had in mind. He is a very picturesque writer and I would not attempt to fathom his mind through his letters.

Mr. HENDERSON. You think of those letters as having a literary quality?

Mr. MITCHELL. A very fine literary quality.

THE ILLINOIS BELL TELEPHONE FINANCING, 1935

Mr. NEHEMKIS. I show you a letter dated September 26, 1935, from you to your associate, Mr. Blyth, and ask you to tell me whether that is a true and correct copy of an original in your possession?

Mr. MITCHELL. I remember such a letter and grant that it is.

Mr. NEHEMKIS. The letter is offered. This letter is dated September 26, 1935.

Evidence previously introduced into the record indicates and shows that Morgan Stanley & Co. was organized on September 15, so that it would appear this letter was written 11 days after the organization of Morgan Stanley & Co. It reads as follows [reading from "Exhibit No. 1644"]:

Harold Stanley, of the new firm of Morgan, Stanley & Company, asked me to lunch with him yesterday and we had an hour and a half's discussion, the main points of which I am sure you will find of interest.

He opened the conversation by saying that he wanted to get the bad news off his chest first and he was doing that not only because of our relation, but because George Whitney, who had to leave town the night before for several days, asked him particularly to see me and explain the situation. The bad news was that we were not going to be in the underwriting of the Bell Telephone of Illinois.

As I recall it, Mr. Mitchell, that was one of the first of the offerings under the leadership of Morgan Stanley, is that correct?

Mr. MITCHELL. I think so,

Mr. NEHEMKIS. I am particularly impressed by the fact that Mr. George Whitney, a partner of J. P. Morgan & Co., should have been constrained to ask his former partner and associate, Mr. Harold Stanley, to inform you that it was not possible for your firm to have a position in the Illinois Bell Telephone underwriting group. Isn't that somewhat anomalous, Mr. Mitchell?

Mr. MITCHELL. I can't make an assumption of that sort.

Mr. NEHEMKIS. Do you recall having this conversation?

Mr. MITCHELL. Oh, yes, indeed.

Mr. NEHEMKIS. And there is no question that Mr. Stanley told you what you wrote?

Mr. MITCHELL. I don't think I would have put it in the letter if it was not so.

Mr. NEHEMKIS. And you can't indicate why it was necessary for Mr. George Whitney to convey this information?

Mr. MITCHELL. No.

Mr. NEHEMKIS. Isn't it a fact that Mr. George Whitney at the time was actively engaged in the make-up of the syndicate list of the telephone issue?

Mr. MITCHELL. I don't know anything about that.

Mr. NEHEMKIS [reading from "Exhibit No. 1644"]:

To make a long story short, they found that if they were to go beyond the very short underwriting list that they have, and are bound to more or less by past relations to the business, to a point of including us, they would necessarily have to include four or five firms more. * * *

He added that not having our name on these first three pieces of business that they are going to do is a real embarrassment to them, as they recognized it must be to me, because they are very anxious indeed to give public evidence to the close relationship that they have always had with me, and continue to feel. He said that he could assure me in every way that there would never be an issue where our name as a possible underwriter would be forgotten—

Mr. MITCHELL (interposing). May I interrupt? That is the type of word that is used in a letter that may be misleading. The word "embarrassed" is used. I don't believe I have ever had a talk with Harold Stanley where I found that he was embarrassed about anything. [Laughter.] And I certainly have never experienced a feeling of embarrassment in talking with him. That is a word that slips into an intimate letter that has not been carefully chosen. You will excuse the interruption.

Mr. NEHEMKIS. Certainly, sir. I understand.

Mr. HENDERSON. Mr. Chairman, could you not assure the witness that when he wants to give his own interpretation of a word used, this committee has always permitted that.

The CHAIRMAN. Well, I think that is quite well understood with respect to the processes of this committee. I am curious to know what your definition of the word is. As it was used, I mean.

Mr. MITCHELL. I would say that I probably mean that after our very, very long years of relationship, Howard Stanley was a little sorry that circumstances didn't make it possible for our entry in that business, and frankly, I think I was more sorry than he. [Laughter.] But as far as embarrassment, Senator, I would hardly say that there was that between Stanley and myself.

Mr. NEHEMKIS. Do you recall, Mr. Mitchell, what the circumstances were that made it impossible for Mr. Stanley to include your firm in that first telephone business that Morgan Stanley brought out?

Mr. MITCHELL. I didn't get the question.

Mr. NEHEMKIS. I said, do you recall the circumstances that made it impossible for Mr. Stanley to include your firm in the early Telephone offering?

Mr. MITCHELL. No; I would have to guess at that. I don't recall the circumstances well enough to testify to it.

UTILITY HOLDING COMPANIES TO WHICH MORGAN STANLEY & CO.,
INCORPORATED HAD SUCCEEDED J. P. MORGAN & CO. AS BANKER

Mr. NEHEMKIS. May I continue [reading from "Exhibit No. 1644"]:

He was good enough to say that he considered that there was no one on the Street with whom he had had as close relations in the issuance business over a long period than myself, or whom he considered, by reason of talking the same language, could be more helpful than I could.

I am skipping to the second page.

Stanley was particularly interested in what our policy might be with regard to the distribution of preferred or common stocks. I told him the name of a security meant little to me as I could name many preferreds that were better than bonds, and many commons that were better than preferreds, and I felt that our policy would be to handle any security that was prime in the category in which it was placed. I told him that we were now looking into a prime public utility common stock with the idea of developing a syndicate for national distribution and he expressed the hope that we would find conditions right to go ahead with this kind of business, and indicated that with the probable necessity of breaking up stock holdings of some of the public utility holding corporations that they had to do with, they would be glad to see such a house as ours to whom they could turn.

I am a little bit puzzled by that paragraph, Mr. Mitchell, because I have had no understanding, until I read this letter, that Morgan Stanley & Co. ever had any stockholdings in public utilities. Am I correct in assuming that the reference to "they" was to J. P. Morgan & Co.?

Mr. MITCHELL. I wouldn't say so. I would think it was the holding companies to which I referred in that letter.

Mr. NEHEMKIS. Yes; and I also referred, as I have read, to the break-up of stockholders of some of the public utility holding corporations that they had to do with. Now, Morgan Stanley do not hold stock in public-utility corporations?

Mr. MITCHELL. Holding companies that they had to do with, not stock that they had to do with.

Mr. NEHEMKIS. Let me continue then [reading from "Exhibit No. 1644"]:

they would be glad to see such a house as ours to whom they could turn——

Turn for the distribution of such stock?

Mr. MITCHELL. Yes.

Mr. NEHEMKIS. Well, now, it then cannot obviously refer to Morgan Stanley.

Mr. MITCHELL. The second "they" obviously refers to Morgan Stanley. The first "they" refers to the holding companies.

Mr. NEHEMKIS. Well, now——

The CHAIRMAN (interposing). What paragraph are you reading?

Mr. NEHEMKIS. On the third full paragraph on page 2. I think I would normally not dwell on the point, Mr. Chairman, but I think it is a problem here involving a little more than grammar. I am going to, if I may, Mr. Mitchell, read to you once again that sentence

with which we differ on the use of the word "they" and see if you can't enlighten me [reading from "Exhibit No. 1644"]:

and indicated that with the probable necessity of breaking up stock holdings of some of the public utility holding corporations that they had to do with * * *

Now, that first "they"; I will put the question specifically. You indicate by your own answer which it refers to. Does "they" refer to J. P. Morgan & Co.?

Mr. MITCHELL. No.

Mr. NEHEMKIS. To whom does it refer?

Mr. MITCHELL. The holding company, the holding companies that they, Morgan Stanley & Co., had to do with.

Mr. NEHEMKIS. Now I ask you another question. What do Morgan Stanley have to do with holding companies? Morgan Stanley is an underwriting house. They don't hold stock in utility holding companies, they distribute securities. Are you sure that you didn't have in mind J. P. Morgan & Co., which at that time did hold stock in utility companies?

Mr. MITCHELL. I am very sure of my intent in that sentence.

Mr. HENDERSON. Mr. Nehemkis, could I ask a question there? This letter, Mr. Mitchell, was written within 11 days, I think, after the formation of Morgan Stanley, am I correct in that?

Mr. NEHEMKIS. That is correct, sir.

Mr. HENDERSON. Had they, Morgan Stanley, brought out any issues relating to holding companies in those 11 days?

Mr. MITCHELL. No, Mr. Commissioner; but I think that I was assuming there that Morgan Stanley would succeed to the investment-banking business that had been carried on by J. P. Morgan & Co., and would be the entity in touch with the issuing companies, for whom J. P. Morgan & Co. had acted.

Mr. HENDERSON. Thank you.

Mr. NEHEMKIS. Mr. Commissioner, I was interrupted; I am sorry. I have not heard the full answer of the witness. May I have it read, please?

(The preceding question and answer were read.)

Mr. NEHEMKIS. Continuing with the letter [reading from "Exhibit No. 1644"]:

Incidentally, speaking of public utilities he—
Stanley—

voluntarily remarked that while he did not want to be committed, he would personally consider that my contact with Consolidated Gas and its subsidiaries in past years would justify the expectation that Blyth & Co. would be in the second underwriting position in that business as it developed, and he thought he would want to be talking to me about future financing for that Company within the next ten days. I judge this would be on business likely to develop before the end of the year.

Mr. Mitchell, I show you a letter.

The CHAIRMAN. Have you finished with that letter?

Mr. NEHEMKIS. I have sir.

The CHAIRMAN. Have you developed to your own satisfaction the meaning of the second clause in that paragraph with all the "theys"?

Mr. NEHEMKIS. I have not developed it to my full satisfaction, but apparently Mr. Mitchell is unable to clarify his own rhetoric.

The CHAIRMAN. Well, it is not a matter of rhetoric; I think it is a matter of understanding. May I ask you one or two questions about it, Mr. Mitchell?

Mr. MITCHELL. Certainly, sir.

The CHAIRMAN. Do you have a copy of the letter?

Mr. MITCHELL. Yes; I have it.

The CHAIRMAN. If there is anything significant in the clause, I would just like to get it clear.

Mr. MITCHELL. May I ask what paragraph that is?

The CHAIRMAN. Page 2, the third full paragraph, "Stanley was particular * * *." I am referring now to the four last lines of that paragraph. Let's read the whole sentence [from "Exhibit No. 1644"]:

I told him that we were now looking into a prime public utility common stock with the idea of developing a syndicate for national distribution and he expressed the hope that we would find conditions right to go ahead with this kind of business.

Now it is all perfectly clear up to there. "And indicated"—now I assume you mean "I indicated."

Mr. MITCHELL. No; I think that means he indicated.

Mr. NEHEMKIS. Stanley indicated.

The CHAIRMAN. All right, then, that means that he indicated, that Stanley indicated, reading as it was intended to convey the meaning [reading further]:

that with the probable necessity of breaking up stock holdings of some of the public utility holding corporations that they had to do with——

Now what does that "they" mean?

Mr. MITCHELL. That "they," Morgan Stanley & Co.

The CHAIRMAN. Morgan Stanley & Co.

Mr. MITCHELL. Who I assumed had succeeded in the relationship of J. P. Morgan & Co., to such issuing companies.

The CHAIRMAN. All right; "had to do with, they would be glad"; what does it mean?

Mr. MITCHELL. They, Morgan Stanley & Co.

The CHAIRMAN [reading]

Would be glad to see such a house as ours to whom they could turn.

Mr. MITCHELL. Morgan Stanley & Co.

The CHAIRMAN. So you wish the committee to understand "they" refers to Morgan Stanley & Co.?

Mr. MITCHELL. Yes.

The CHAIRMAN. And no other outfit?

Mr. MITCHELL. Yes.

Mr. MILLER. Mr. Commissioner, might I ask a questions of the witness?

Mr. Mitchell, just why was Morgan Stanley interested in developing a subject of distribution of equities? Was that the type of business that they normally did, or was it not the type of business?

Mr. MITCHELL. No; I would say it was not the type of business that J. P. Morgan had done, and Mr. Stanley, through this conversation, very evidently had given me the impression that that was business that they would not be likely to do.

Mr. MILLER. But Blyth & Co. had done that type of business and had the distributing organization?

Mr. MITCHELL. Yes, Mr. Miller; we had.

Mr. NEHEMKIS. Mr. Mitchell, I show you a letter from your California partner, Mr. Blyth, addressed to you, dated September 30, 1935. Will you examine the letter and tell me whether it is a true and correct copy of a letter in your possession or custody?

Mr. MITCHELL. I recall this letter and grant that it is a true copy.

Mr. NEHEMKIS. Thank you, Mr. Mitchell. I ask that the letter be offered for the record.

(The letter referred to was marked "Exhibit No. 1645" and is included in the appendix on p. 11771.)

The CHAIRMAN. Before we proceed, will you please indicate which of these letters you want to go into the record? They have been accumulating here. They have not been marked.

Mr. NEHEMKIS. The letter dated July 31, 1935, if the committee please, I should like to have admitted in full.¹ The letter dated August 2, 1935, I should like to have printed in full. Similarly with the letter dated September 26, 1935.

The CHAIRMAN. These three letters may be admitted to the record for printing.

(The letters referred to were marked "Exhibits Nos. 1643 and 1644" and are included in the appendix on pp. 11769 and 11770.)

Mr. NEHEMKIS. Your partner, Mr. Blyth, wrote to you on September 30, 1935, as follows—I skip to the fourth paragraph [reading from "Exhibit No. 1645"]:

Your talk with Harold Stanley was by no means disappointing to me. I do not for one minute think that we can expect to preempt the entire field of original financing and in all cases be a major participant or the originator. It also seems true that, notwithstanding discontinuance of the City Company, Guaranty Company and others, that their mantles have fallen, to a considerable extent, upon Brown Harriman, E. B. Smith, and so on.

I think, Mr. Mitchell, that you have indicated in your previous testimony that the mantle of J. P. Morgan & Co. had fallen to a considerable extent upon Morgan Stanley.

Mr. MITCHELL. Yes; but I would never grant what Blyth put in his letter.

Mr. NEHEMKIS. I did not ask you whether you granted it. We are discussing Mr. Blyth's letter. At the appropriate time you can tell me in response to a question what you thought. Let's wait until we come to it.

Mr. MITCHELL. All right.

Mr. NEHEMKIS (reading further from "Exhibit No. 1645"):

Otherwise Stanley wouldn't have apparently felt obligated to a continuation of certain groups formerly associated together, even though under different names. Aside from your personal relationship with the Morgan firm, and perhaps the scarcity of major league players, there is no particular reason why Morgan Stanley should do more for us than the business advantages involved in the deal would amount to. If they adopt a policy of taking positions in other business, as Kuhn Loeb does and if we are able to bring them business which shows substantial profits, that is a horse of another color.

Now, Mr. Mitchell, you have at the outset of your testimony identified for me certain materials which has come from your files, and one of the letters¹ which I had occasion to offer in evidence referred to a conversation which you had with Mr. Stanley in regard to the possible inclusion of your firm in second position in Consolidated Gas

¹ Admitted supra, p. 11551, as "Exhibit No. 1642."

² "Exhibit No. 1647," appendix, p. 11773.

financing. Has your firm been given second position in Consolidated Gas financing?

Mr. MITCHELL. It has.

POSITION OF BLYTH & CO. IN THE CONSOLIDATED EDISON CO. FINANCING—
PERCENTAGE PARTICIPATION OF BLYTH & CO. TO PARTICIPATION OF
MORGAN STANLEY & CO., INCORPORATED

Mr. NEHEMKIS. In all financing of Consolidated Edison Co., as it is now known?

Mr. MITCHELL. Yes; it has.

Mr. NEHEMKIS. I note, Mr. Mitchell, that your firm not only has second position, but it has the largest percentage participation of any member of the underwriting group in all of the Consolidated Edison and subsidiaries' financing. Thus, for example, in the first piece of financing your percentage participation was 40 percent, exceeding that of any other house and being second alone to Morgan Stanley. In the second piece, your participation was 40 percent. In the third, 41 percent; in the fourth, 41 percent; in the fifth, 42 percent; in the sixth, 33 percent; in the seventh, again, 33 percent; and, continuing, 33 percent, 31 percent, and until the most recent, 40. Always, the second highest position to Morgan Stanley, always exceeding all other members of the underwriting group.

Mr. MITCHELL. It sounds right, except those percentages.

Mr. NEHEMKIS. These percentages have been compiled from the registration statements relating to the respective issues and from the files of the S. E. C. If you wish, Mr. Mitchell, you can have one of your technical men examine these percentages as they appear in the record, and if you find any error, you can, at an appropriate time, offer corrections.

Mr. MITCHELL. I simply raise the question because I know that as to the whole, if I understood your statement, you say that of the total issue we underwrote 40 percent.

Mr. NEHEMKIS. No; your percentage participation in the underwriting was 40 percent.

Mr. MITCHELL. Forty percent of what?

Mr. NEHEMKIS. This table is expressed as percentages of Morgan Stanley & Co., Incorporated, participations in each issue. You got 40 percent of what Morgan Stanley underwrote.

Mr. MITCHELL. Ah; 40 percent of their participation; is that it? Not 40 percent of the issue.

Mr. NEHEMKIS. No; it couldn't be. There wouldn't be anything left for Morgan Stanley & Co.

Mr. MITCHELL. Yes; 60 percent would be left.

Mr. NEHEMKIS. Well, there were 40 other underwriters.

Mr. MITCHELL. That is why I question it.

Mr. NEHEMKIS. Do you have any questions about it now, is it thoroughly clear now?

Mr. MITCHELL. I assume that you are correct, if that shows it, that we had 40 percent.

Mr. NEHEMKIS. Of the amount underwritten by Morgan Stanley?

Mr. MITCHELL. Yes. In other words, if Morgan Stanley underwrote \$10,000,000 out of the \$50,000,000 issue, we had \$4,000,000.

Mr. NEHEMKIS. Right. And where I say, you had a 33⅓-percent participation, that means you had a participation amounting to 33⅓ percent of what Morgan Stanley underwrote?

Mr. MITCHELL. That is right.

Mr. NEHEMKIS. I'm sorry if I was not quite clear at the outset.

Mr. MITCHELL. That's all right.

Mr. MILLER. I am not clear, Mr. Nehemkis. When you say 40 percent, does that mean the relation between the amount that Mr. Mitchell's firm had, as compared with what Morgan Stanley had? They were not subunderwriters, they were not taking part of Morgan Stanley's share?

Mr. NEHEMKIS. No; Mr. Mitchell gave a very correct illustration, I think. If Morgan Stanley on a \$50,000,000 issue took for itself \$10,000,000, Mr. Mitchell's firm's participation would be, as the percentages indicate, 40 percent of the \$10,000,000, or, in another instance, perhaps 30 percent of the \$10,000,000 taken by Morgan Stanley & Co., and so on.

Mr. MILLER. Then it is the relationship; it is not part of Morgan Stanley's?

Mr. NEHEMKIS. Oh, heavens, no. The relationship of the amount taken by Blyth & Co. that was underwritten or taken by Morgan Stanley. Is that clear, sir?

Mr. MILLER. Yes; it is.

Mr. NEHEMKIS. Fine.

Now, Mr. Mitchell—

The CHAIRMAN (interposing). Has this table been offered?

Mr. NEHEMKIS. It has not.

The CHAIRMAN. Do you want to?

Mr. NEHEMKIS. Not necessarily, unless you care to have it in, sir. I have given it to the record.

Mr. MITCHELL, from information which you have furnished us, the participations of Blyth & Co. in the Consolidated Edison business amounted to \$33,750,000, and your profits in that business, before overhead, amounted to \$375,703.

Mr. Chairman, I am going to offer a table. The fundamental data from which this table was prepared has been identified by the witness. The table is now offered.

Mr. MITCHELL. Mr. Chairman, I am perfectly content so long as on all of these figures of profits it will be recognized that they are gross profits, and I wish that I could say that gross and net were pretty close figures, but in our business they are not.

The CHAIRMAN. Well, the table¹ handed to me contains several columns of figures, one of which is labeled "Size of issue"; one under a subhead of "Participations," is called "Amount"; and the next, "Percent of total," then the final column is entitled "Net profit before overhead."

Mr. MITCHELL. That is all right, so long as you understand, Senator, that profit before overhead is gross profit, and that there is a very great difference between gross and net. I don't think I need to tell anybody that.

The CHAIRMAN. That is clearly understood.

Who prepared this?

¹ "Exhibit No. 1646," appendix, p. 11773.

Mr. NEHEMKIS. Prepared by the staff of the Commission.

Mr. AVILDSSEN. Why did they use the word "net," instead of "gross"?

Mr. NEHEMKIS. We didn't. Oh, I beg your pardon. It does appear. I think that must be taken from Blyth's own material.

The CHAIRMAN. What is your definition of that phrase, "Net profit before overhead"? Let's get an understanding between the S. E. C. and the witness.

Mr. NEHEMKIS. I am not interested in giving any definition. That is taken from the material submitted by Blyth & Co.¹

The CHAIRMAN. But when it is prepared, you understand what you are submitting.

Mr. MILLER. Are these really profits, or commissions? Do you think gross profits, or are they simply the spread between the issue price, and the price paid to the company? Are they gross commissions or really profits?

Mr. MITCHELL. Well, we hope that they are profits, but when anything is set down as a profit before overhead, I am never sure it is a profit in the ultimate. It means——

The CHAIRMAN (interposing). You are making a distinction, then, between the actual profit, which is finally measured, and that which you call net profit before deducting the overhead?

Mr. MITCHELL. Precisely.

The CHAIRMAN. That is all you want to be understood as saying, in defining this phrase?

Mr. MITCHELL. That is right.

The CHAIRMAN. With that understanding, the table is admitted.

(The table referred to was marked "Exhibit No. 1646" and is included in the appendix on p. 11773.)

Mr. HENDERSON. This footnote is from the material supplied by Blyth & Co.,¹ and it is a footnote to the heading, "Net Profit Before Overhead, see Footnote." I now read the note:

Net profit before overhead. The figures shown are the gross profit less syndicate expense, documentary tax stamp and other direct expense or losses attributable to the particular issue. No deductions have been made for salesmen's compensation or general operating overhead of any character.

The CHAIRMAN. I think that is what the witness was trying to bring out.

Mr. MITCHELL. Thank you very much.

Mr. NEHEMKIS. Mr. Chairman, I should like, however, that the record be perfectly clear that the phrase "net profit" was taken from the official records of Blyth & Co.

The CHAIRMAN. Yes, sir.

Mr. MITCHELL. Thank you, sir.

Mr. NEHEMKIS. Mr. Mitchell, were you not formerly a trustee of Consolidated Gas Co.?

Mr. MITCHELL. I was.

Mr. NEHEMKIS. Was Mr. Floyd Carlisle a trustee of Consolidated Gas Co.?

Mr. MITCHELL. He was.

Mr. NEHEMKIS. Is Mr. Carlisle presently known to you?

Mr. MITCHELL. He is.

¹ "Exhibit No. 1641," supra, pp. 11549-11550, which was marked for identification only.

Mr. NEHEMKIS. Is it not a fact, Mr. Mitchell, that you were instrumental in obtaining a position on the board of trustees for Floyd Carlisle?

Mr. MITCHELL. I would say that that was a true statement.

Mr. NEHEMKIS. Is it not also a fact, Mr. Mitchell, that you were instrumental in obtaining a position on the board of directors of Consolidated Gas Co. for Mr. George Whitney, partner of J. P. Morgan & Co.?

Mr. MITCHELL. If I was, it was very incidental. I think that with some stretch of the imagination that might be true, but I certainly was not fully responsible for his coming on the board.

Mr. NEHEMKIS. Mr. Mitchell, I show you a letter from you to your California associate, Mr. Blyth, dated October 5, 1937. I ask you to examine the stamp at the bottom of that letter containing your name and tell me whether in your judgment this is a true and correct copy of an original in your possession.

Mr. MITCHELL. Yes.

Mr. NEHEMKIS. The letter is offered for the record, Mr. Chairman.

The CHAIRMAN. The letter is received.

(The letter referred to was marked "Exhibit No. 1647" and is included in the appendix on p. 11773.)

Mr. NEHEMKIS. I read to you, Mr. Mitchell, from the letter you wrote to Mr. Blyth ["Exhibit No. 1647"]:

I talked the Consolidated Edison situation over with him—

Meaning Stanley—

thoroughly and after ceding (1) that I had been instrumental in bringing Floyd Carlisle into that situation; (2) that I had been influential in getting a position on the Board for George Whitney, and (3) that Carlisle had promised me in the Spring of 1935 that if Morgan & Company did not get back into the investment banking business, the financing of Consolidated Edison would be thrown over to me, he—

Meaning Stanley—

allowed that we had a real right to our present position in all Consolidated Edison business and assured me that if there was any rearrangement in the account we would in no case be cut in percentage beyond the percentage cut that Morgan Stanley themselves took; in other words our position would be maintained.

Mr. Mitchell, do you want to add anything to the former statement you made as to how Mr. Whitney obtained his position?

Mr. MITCHELL. No. It supports exactly what I said.

DISCUSSION WITH FLOYD CARLISLE RELATIVE TO FUTURE CONSOLIDATED EDISON CO. BUSINESS

Mr. NEHEMKIS. Now, did you, as your letter would indicate, discuss the prospective financing of Consolidated Edison and its subsidiaries with Mr. Carlisle in the spring of 1935?

Mr. MITCHELL. Yes; I did.

Mr. NEHEMKIS. And Mr. Carlisle agreed that you might have the leadership in that business if the Morgans didn't return to the investment-banking business?

Mr. MITCHELL. Well, since we are harping on words I would light on that word "agreed." I would say that that was an improper use of the word for that discussion.

Mr. NEHEMKIS. Well, since you talked this over with Mr. Carlisle, what word would you suggest?

Mr. MITCHELL. Well, let me give you the fact. In the National City Bank, in the National City Co., the financial operations, issues of the Consolidated Gas Co. and subsidiaries, had been carried on for a great many years, in fact long before I became connected with the institution, which was in 1916. During that entire time it had happened that I personally had been the one to sit down with the company officials and to arrange their financing. I think it might be truthfully said that I knew as much about their finances as any single man on the street and I personally had been the contact between the City Bank, the City Co., and the Consolidated Gas Co. and subsidiaries. Knowing their financial structure and with the historical past, as it was, I recall that Mr. Carlisle in the spring of 1935, at a time when I had gone to him for his personal advice to me as to the acceptance of an invitation from Blyth & Co. to join them and the relative value to me of an invitation that had come concurrently from another large house, he had voluntarily said to me—I won't attempt to give the exact words, but approximately this—that if I returned to the investment-banking business as contemplated in our discussion, that he would think it proper and likely that I would be qualified to continue financial advice and relations with the Consolidated Gas Co., and he made this proviso (again I don't pretend to quote his exact words), he said—"This is assuming that the investment banking business formerly conducted by J. P. Morgan & Co. is not carried on by them through some other organization. Under those circumstances I would think that it was proper that they—whoever they might be"—I don't like this, I am getting all mixed up with this word "they"—"would be the likely house for Consolidated Gas Co. to turn to, and if that occurs, I think you can be assured in any event of very great consideration."

Now, you see, that is very far from agreement. He didn't agree with me about anything. There was only one blow struck, and with his having that I was content to go out of the door, but I don't think I could call it an agreement.

Mr. NEHEMKIS. The word used in your letter of October 5, 1937, Mr. Mitchell, was "promised me."¹ Shall I continue to use the word "promised"?

Mr. MITCHELL. Well, "promised me" is a——

The CHAIRMAN (interposing). There is a song about that, Mr. Mitchell.

Mr. MITCHELL. I was thinking of that. There is some sentiment in it, and it certainly is not an agreement. If it had been promised me it would be in the law courts all the time.

The CHAIRMAN. Well, I think what you are getting at is that by the use of the word "agree" and the use of the word "promise" you did not mean that there was any binding agreement that would be upheld in a court of law, but perhaps that there was an understanding?

Mr. MITCHELL. A distinct intimation—let's put it that way, sir.

The CHAIRMAN. On which you thought you would rely?

Mr. MITCHELL. Yes.

Mr. NEHEMKIS. Mr. Mitchell, the earlier financing of Consolidated Gas had been under the leadership of the National City Co., had it not?

Mr. MITCHELL. It had, yes.

Mr. NEHEMKIS. Now, I am a bit confused by the fact that Mr. Carlisle indicated to you at the time of your discussion that if the Morgans didn't return to business, the intimation was that you might have this business. Now, why the interjection of the Morgans? They had no claim on this business. They had never been the leader. You had always been the leader. They had been a mere participant. Would you care to clarify that situation for me?

Mr. MITCHELL. Well, at that time, Mr. Whitney was a member of the board of directors, I was not. Mr. Whitney had been on the board, I think, of the United Corporation, which was the largest single holding of the shares of Consolidated Gas Co. This is my recollection. I think that Mr. Carlisle's reaction was quite proper and quite correct.

Mr. NEHEMKIS. Now, Mr. Mitchell, as I recall the letter, on or about October 5, 1937, you discussed this situation with Mr. Stanley. You were writing about that conversation?

Mr. MITCHELL. You are referring to this letter?

Mr. NEHEMKIS. Yes, sir; that is correct.

Mr. MITCHELL. Yes.

Mr. NEHEMKIS. And Mr. Stanley conceded your various contentions, (1) that you had been instrumental in bringing Floyd Carlisle into the picture, and (2) that you had been helpful in getting George Whitney on the board. That is correct, isn't it?

Mr. MITCHELL. Yes.

Mr. NEHEMKIS. And that as a result of your efforts in behalf of the House of Morgan, Mr. Stanley conceded that Blyth was entitled to the second ranking position in Consolidated Edison financing?

Mr. MITCHELL. Mr. Counsellor, I think you are assuming something in that question that I have not testified to at all.

Mr. NEHEMKIS. I want to be thoroughly sure that I don't misunderstand you.

Mr. MITCHELL. Well, you are saying this, as I understand it, that because I had been influential in getting Mr. George Whitney on the board, I was entitled to special consideration from the firm of Morgan Stanley, with respect to Consolidated Edison business.

Mr. NEHEMKIS. Now, is that not correct?

Mr. MITCHELL. That is as I understood you.

Mr. NEHEMKIS. That was the inference I was drawing. Do you say it is improper?

Mr. MITCHELL. Yes; because—

Mr. NEHEMKIS. Why?

Mr. MITCHELL. Because the real reason why we were entitled to that—and, in my opinion, why Harold Stanley thought we were entitled to that—was the very close contact that I had had with Consolidated Gas financing over a long period of years. I would say that, knowing Harold Stanley, these reasons in here were purely incidental to that long relationship. If I were going to claim any rights—and I am not any different than a lot of other fellows on the Street, I claim a lot of things that are the bunk. [Laughter.]

I'd slide over those claims and base it very definitely on my personal understanding of the affairs of Consolidated Gas Co. over a period of years and the help that Blyth & Co., by virtue of the knowledge that I personally had, could be in that situation.

Mr. NEHEMKIS. Mr. Mitchell, witnesses that have appeared before the committee have indicated the situation similarly to what you are saying. In other words, business in the investment banking field has a habit of following certain individuals, men get associated with a piece of financing and that financing follows them?

Mr. MITCHELL. Just exactly as it would be in a law office, gentlemen, or in any other type of business. Yes; I would say that business generally, especially where it is of a personal and professional character, follows the individual.

Mr. NEHEMKIS. Just as, for example, you were the man in the National City Co. who probably knew more about Anaconda than the others, you were intimately associated with its affairs, you understood the ramifications of it, so it was inevitable that when new financing came around and you transferred to a new association, that business followed you?

Mr. MITCHELL. I don't want to be a stickler on words, but that word "inevitable" I don't like.

Mr. NEHEMKIS. Well, it gravitated toward you?

Mr. MITCHELL. I would say that the chances were more favorable to me than to anybody else.

Mr. NEHEMKIS. As I recall the situation, Mr. Stanley Russell, who appeared here yesterday, was also interested in that business, wasn't he?

Mr. MITCHELL. Yes; and not only Stanley Russell. There were others that were interested.

Mr. NEHEMKIS. Was Mr. Ripley interested?

Mr. MITCHELL. Of course, Mr. Ripley was interested.

Mr. NEHEMKIS. Why do you say "of course"? That is an interesting phrase.

COMPETITION IN INVESTMENT BANKING

Mr. MITCHELL. This is a monopoly investigation. My long experience on the Street tells me that the investment-banking business is a dog fight. There is no monopoly about it, gentlemen. And where a piece of business presents itself every house is immediately interested, and there is more or less of a scramble. Now, when you are going directly to an issue you have to go in a very dignified manner and you have got to have a real road to travel. You can't just go down because you think somebody is going to like the color of your eyes. It's got to be a real basis for an approach.

Now, when I say that Mr. Ripley was interested in that business, that is exactly what I mean.

Mr. Stanley Russell was interested in the business. I could name other houses that were interested in the business, and actively interested in trying to get it.

Mr. NEHEMKIS. But the fact remains, that when the financing ultimately came out, you got it?

Mr. MITCHELL. That is the very important fact, we were really the only matter of importance in the entire situation. [Laughter.]

Mr. NEHEMKIS. I am glad you recognize that, Mr. Mitchell. [Laughter.]

Now, in connection with your conversation with Mr. Stanley, when you were discussing the Consolidated Edison situation, Mr. Stanley

conceded your right to a very important position in that financing, because as you say, your past relationship—

Mr. MITCHELL (interposing). Are you speaking of Anaconda?

Mr. NEHEMKIS. No; returning to Con. Gas. Mr. Stanley conceded your right to a substantial place in that business because of your past relationship?

Mr. MITCHELL. A right of claim, I would say.

Mr. NEHEMKIS. And, according to the testimony already offered, that right has ripened.

In other words, you have indicated to me, and the testimony so shows, that your firm has always had second position in Consolidated Edison and subsidiary financing and the second largest amount after Morgan, Stanley; right?

Mr. MITCHELL. Well, you used "right" a couple of times, now—

Mr. NEHEMKIS (interposing). Is that correct, sir?

Mr. MITCHELL. Right—I don't—there is no legal right.

Mr. NEHEMKIS. I am sorry, you misunderstood me.

Mr. MITCHELL. I see words—since we are discussing words—that creep in here. I noticed some testimony that came into somewhere that I have seen in the last day or two, the words "right" and "proprietary."

Mr. NEHEMKIS. Mr. Mitchell, I think you should answer my question.

Mr. MITCHELL. I am going to answer your question, if the Commissioner will permit me to do it. I simply want to say that when I use the word "right," or when you use it in this case, I want it understood it is a right to claim. It is an ethical and moral term. There is nothing legal in it; nothing whatsoever.

Mr. NEHEMKIS. I think you are unduly sensitive to the use of words, and the confusion has arisen because I asked a question after my sentence. Unfortunately, I used the word "right," meaning "is that correct?"

Mr. MITCHELL. I don't know who started this discussion about words.

Mr. NEHEMKIS. Well, let's proceed, sir. I think we may get along all right.

The CHAIRMAN. We may have to bring Mr. Webster before we are through.

Mr. HENDERSON. Or the semantics experts. But I just have one question; may I ask it?

Right in line with what you have been saying concerning the distinction between the legal and the ethical or moral right, is it not a fact that this right to claim—I think that is the way you express it—very frequently does develop into a piece of business, and that a large number of the pieces of business following the divorcement did go along the lines of those who had the right to claim?

Mr. MITCHELL. Or thought they had.

Mr. HENDERSON. Well, I accept that.

Mr. NEHEMKIS. Now, your right to claim—and I use your phrase, sir—the second position in the Consolidated Gas business has always been maintained. You have always had that position?

Mr. MITCHELL. Please understand, I have never claimed second position in that business.

Mr. NEHEMKIS. You were given it?

Mr. MITCHELL. We were given it.

Mr. NEHEMKIS. Now, in March, toward the end of March of 1936, the Consolidated Edison Co. brought out a \$60,000,000 issue, and the number of underwriters was increased in that issue from 29 to 66. Do you recall that piece of financing, Mr. Mitchell?

Mr. MITCHELL. Yes.

Mr. NEHEMKIS. And what was your firm's position in that syndicate? Did it remain second place?

Mr. MITCHELL. Yes, sir.

Mr. NEHEMKIS. Do you recall what Morgan Stanley's interest was?

Mr. MITCHELL. In dollars of underwriting?

Mr. NEHEMKIS. Yes; in rough amount.

Mr. MITCHELL. No; I don't.

Mr. NEHEMKIS. About \$9,000,000?

Mr. MITCHELL. I couldn't tell without reference.

Mr. NEHEMKIS. Mr. Mitchell, I show you a memorandum written by you dated March 29, 1936, to members of your staff. I ask you to examine this memorandum and see if it doesn't refresh your memory.

Mr. MITCHELL. Well, this is the type of usual record I make for the executive committee.

Mr. NEHEMKIS. What was Morgan Stanley's interest in that piece of financing?

Mr. MITCHELL. It was stated that it will be \$9,000,000.

I don't know whether it was actually that or not.

Mr. NEHEMKIS. At the time you wrote this memorandum, what did you understand, even though the underwriting group was to be increased from 29 to 66, that Blyth & Co.'s position would be?

Mr. MITCHELL. Exactly what is stated here.

Mr. NEHEMKIS. What is stated?

Mr. MITCHELL. \$3,600,000.

Mr. NEHEMKIS. Is that second position?

Mr. MITCHELL. It is.

Mr. NEHEMKIS. That is all I wanted to have you tell me, sir. The memorandum, identified by the witness, is offered in evidence.

The CHAIRMAN. It may be received.

(The memorandum referred to was marked "Exhibit No. 1648" and is included in the appendix on p. 11774.)

Mr. NEHEMKIS. Now, so far as you can tell, will Blyth & Co. continue to have second position in Consolidated Edison business?

Mr. MITCHELL. I think as long as they deserve it, though I regard nothing as static in the investment banking business or the position of firms in underwriting.

The CHAIRMAN. How will they continue to deserve it?

Mr. MITCHELL. By being helpful in the financing, as it occurs, by showing that in initial distribution, interest as we may have it in trading, contacts with various holders and our treatment of their interest, as long as Blyth & Co. maintain the services and the scope and the position that it has today, I would say that that second position was well assured.

The CHAIRMAN. Who is to be the judge as to whether or not Blyth & Co. does maintain that position?

Mr. MITCHELL. It is difficult for me to say, because that is something that is usually determined by the issuer and the head of the account. Sometimes entirely by the issuer, sometimes in other pieces of business entirely by the underwriting group manager. In this case, I assume that it would be the issuer, plus Morgan Stanley & Co., assuming they were to lead the account.

The CHAIRMAN. What circumstances are there then that enter into the determination of the relative positions of these various houses?

Mr. MITCHELL. Senator, I assume that when any house is selected to act as manager of an account, their first thought is the success of the business. That is number one.

The CHAIRMAN. By that you mean, the success of the flotation and the distribution?

Mr. MITCHELL. Yes. Second, historical relationship. If a certain house of good reputation has been connected with a piece of business historically over a period of years, and is eliminated, let us say, to make the case extreme, eyebrows are raised. Is there some difficulty between the issuer or the house of issue, or is this particular house degrading and gone down to a place where they should be eliminated? If a house maintains its position and has been historically connected with various issues of the issuer, that house has a right to be considered, and the management, looking to the good of the business, will give consideration to historical relationship. Now, there are other things that are considered by the manager of an account.

Certain houses, for instance, have been specialists, let us say, in public utilities, certain have been specialists in rails. Those houses would have to be considered by a manager in accordance with his expertness to judge. Their names, for instance, in the utility issue, the name of a house that has been known particularly as a utility house would add to the prestige of the issue itself as it came out, if their name were attached. That is something that is always considered.

Then, geographical—we would say that if an issue had to do with the Pacific coast, let us say it comes out of a company operating specially on the coast, coast underwriters should be particularly considered. It is advantageous for the issuer, it is advantageous for the business itself to have the support of the houses that are geographically located where their knowledge of the particular business would be considered as prime. Again, in the selection of an underwriting group, and I put this last because I frankly think that it is the last of all to be considered, is the reciprocal relation between one house and the house that may be considered.

Now, that combination, and probably several other things that in my hasty answer to your question I have left out of mention, constitute what passes through the mind of the manager of an account when he is making up a syndicate.

The CHAIRMAN. With regard to a large number of these accounts, it would appear that the relative position of the different houses remains approximately the same?

Mr. MITCHELL. Yes; and yet, Senator, as I said earlier in this hearing, I don't believe that the investment banking business and the position of the various houses in the field of investment banking can be static at all, and I don't believe in the static character of any account.

Frankly, with a house that is coming along as I consider my house is coming along, that is my claim.

The CHAIRMAN. Now, this is as you have testified, not by way of any hard and fast legal agreement that could be upheld in court, but a sort of gentlemen's understanding of those concerned?

Mr. MITCHELL. Yes. There are a great many accounts on which there is no gentlemen's understanding at all—accounts that are made up where the members of the account have been told or should know if they have not been told that their position may be very different in the next piece of business. It is a matter of reconsideration. There are few accounts I consider truly frozen.

Mr. NEHEMKIS. Is this an account you consider truly frozen?

Mr. MITCHELL. I would hope it wouldn't be.

Mr. NEHEMKIS. As far as Blyth & Co. would be concerned up to the present time—I suppose there have been eight or nine issues—your position having remained fixed, would you regard your position as frozen or crystallized?

Mr. MITCHELL. I would hope that it wasn't frozen just so long as we deserve it, and the minute that Blyth & Co. in their service rendered and ability to serve degrades, if that should ever happen—while I am choosing words I would rather put it that way—

The CHAIRMAN. Which you hope will not happen, and which you will endeavor to see does not happen. [Laughter.]

THE TELEPHONE ACCOUNT

Mr. MITCHELL. I will do my best. But if that should happen, I wouldn't consider that they had a right to that position, and I don't believe whoever is the leader of an account would consider it so, either.

The CHAIRMAN. Now, those frozen accounts, to use your phrase, are the most desirable accounts, I take it, those which are issued by corporations of permanent standing, of good reputation, the securities of which the public might desire to have?

Mr. MITCHELL. You can't be truly comprehensive of the situation in making that remark. There are certain accounts that are frozen to a far greater extent than others. For instance, what we know as the Telephone account.

The CHAIRMAN. Is that a frozen account?

Mr. MITCHELL. As to its leadership and the first few names on that account, I think it is more nearly frozen, perhaps, than most accounts.

Mr. NEHEMKIS. Who is the leader of that account?

Mr. MITCHELL. Morgan Stanley.

Mr. NEHEMKIS. And who are the first few names on that account?

Mr. MITCHELL. I would rather go back to the records than to try to give it to you from memory.

Mr. NEHEMKIS. Will you have that available for us when we resume this afternoon?¹

Mr. MITCHELL. Yes; I will.¹

Mr. NEHEMKIS. Roughly speaking at this particular moment, can you tell me about how many houses are in that particular group in

¹ *Infra*, p. 11573.

a frozen, crystallized group? Roughly your assistant will give us the exact figures later.

Mr. MITCHELL. I would say, offhand, six or eight houses.

Mr. NEHEMKIS. Blyth & Co. is not one of those companies?

Mr. MITCHELL. We are not; we hope to be.

Mr. NEHEMKIS. But you are not yet?

Mr. MITCHELL. No.

Mr. NEHEMKIS. Is Brown Harriman one of those frozen houses in that account?

Mr. MITCHELL. I am going to produce a list for you.

The CHAIRMAN. The houses are not frozen; it is the issues.

Mr. NEHEMKIS. Mr. Chairman, it is getting rather late. I wonder if you want us to conclude.

The CHAIRMAN. Mr. Mitchell was about to explain his view of a particular frozen account when we interrupted him. You said, for example, the Telephone account.

Mr. MITCHELL. The leading names on that account, I would say, was as nearly a frozen account as any. Mind you, I don't say any of them are frozen. If they are, I would lie down and say there is no use fighting. So I won't grant that is a frozen account. I say it is an account that has been held together as those top names for a good many years, and I hope that it won't always be so.

The CHAIRMAN. What is the effect of this practice upon the issues themselves, upon the rates of interest that obtain, and upon the result to the issuer?

Mr. MITCHELL. Oh, on those big accounts, by and large, I think that the issuer has always gotten top prices.

The CHAIRMAN. You don't think that this plan of operation by gentlemen's understanding, dividing the issue among a number of houses, eliminates any competition among these houses with respect to the issue?

Mr. MITCHELL. No; I frankly don't. That price is set as a rule by the leader of the account. Morgan Stanley are the head of that account, and if they didn't give that company the most favorable treatment that the market would afford they would not only jeopardize their position with the company but they would lose their prestige on the Street. They must continue to do the fine job that they have done over the years or they lose their prestige and no firm has held it any better.

The CHAIRMAN. And this is the way it is done?

Mr. MITCHELL. This is the way it is done.

The CHAIRMAN. By dividing the account in certain definite proportions, approximately, among certain selected firms?

Mr. MITCHELL. In this particular case, Senator, I think it could be said that the historical relation of firms to the Telephone business was given particular consideration. I mentioned several things that are considered, but in the Telephone account the historical relation is given preponderance of consideration.

The CHAIRMAN. Does this plan of dividing an issue in this manner have the effect of excluding from participation houses which might otherwise have participated?

Mr. MITCHELL. Senator, it is my experience that if a house comes up, it doesn't matter how far down the line, but if it comes forward it is going to get increasing consideration. It will start way down

in the selling group and it will come forward high in the selling group, and the first thing you know you will find them entering the underwriting group and if they go on to a higher position of efficiency and importance, they will go higher constantly in the underwriting group.

Mr. NEHEMKIS. Mr. Mitchell said, if I heard him correctly, that in Telephone financing the historical relation is given preponderant consideration. Do you know that of your own personal knowledge?

Mr. MITCHELL. Oh, no; I know it from observation only, and when I say I know it I assume that to be from my observation.

Mr. NEHEMKIS. We are almost finished, sir, with this phase of the examination.

There are about two or three more questions, and I think this is a good place to adjourn. I just want to button up the testimony Mr. Mitchell has given.

I want to return—we have been on a long detour, Mr. Mitchell—to your correspondence on October 5, 1937, with Harold Stanley with reference to Consolidated Gas financing. I am going to read you once again what you wrote at that time to your associate, Mr. Blyth [reading from "Exhibit No. 1647"]:

He—

Stanley—

allowed that we had a real right to our present position in all Consolidated Edison business and assured me that if there was any rearrangement in the account we would in no case be cut in percentage beyond the percentage cut that Morgan Stanley themselves took. In other words our position would be maintained.

In other words, if there should be any percentage rearrangement in the account of Consolidated Gas financing, your altered position will never be any worse proportionately to that of Morgan Stanley's.

Mr. MITCHELL. You have used the word "never." I think that I would certainly not let that carry through except in the immediate future. In other words, I think that is what Stanley meant, and it is certainly what I conceived, and I certainly never conceived the word "never."

Mr. NEHEMKIS. That is all, sir.

The CHAIRMAN. Are there any other questions to be asked of Mr. Mitchell at this time?

When the committee adjourns, it will be the adjournment of the public session. The members of the committee are requested to remain in the room for just a few moments. The committee will stand in recess until 2 o'clock.

(Whereupon, at 12:20 p. m., the committee recessed until 2 p. m. of the same day.)

AFTERNOON SESSION

The meeting resumed at 2:20 p. m., Chairman O'Mahoney presiding.

The CHAIRMAN. The committee will please come to order.

Mr. MITCHELL. May I ask, just for the accuracy of the record, there is some confusion, even in the mind of the stenographer, I know, as to a question and answer this morning. As I understood, this was

the question: "Were you not indebted to J. P. Morgan & Co. in a considerable sum?"

Answer: "I certainly was, and the world knew it."

The next question: "Are you indebted now?"

And the answer was: "I am not." Is that according to the record?

The CHAIRMAN. That was my understanding of your answer.

Mr. MITCHELL. I just wanted to clarify that.

Mr. NEHEMKIS. Mr. Mitchell, we left off this morning with a discussion of Telephone matters. You were good enough to indicate to the committee that you would make available certain information. Let me repeat to you some of the questions at this time. You had this to say:

Mr. MITCHELL. There are certain accounts that are frozen to a far greater extent than others. For instance, what we know as the Telephone account.

The CHAIRMAN. Is that a frozen account?

Mr. MITCHELL. As to its leadership and the first few names on that account, I think it is more nearly frozen, perhaps, than most accounts. * * *

Mr. NEHEMKIS. Roughly speaking at this particular moment, can you tell me how many houses are in that particular group, in a frozen group? * * *

Mr. MITCHELL. I would say, offhand, six or eight houses.

Does that refresh your recollection on it?

Mr. MITCHELL. It does.

Mr. NEHEMKIS. Have you available now, sir, what you indicated you would produce.

Mr. MITCHELL. I have.

Mr. NEHEMKIS. And now will you tell me which of those six or seven houses are regarded as being members of the Telephone group?

THE TELEPHONE GROUP

Mr. MITCHELL. I would say that for a long period of years—and I give that from recollection—the business has been headed by J. P. Morgan and latterly, by Morgan Stanley & Co.; and there have always been in that group, always, according to my recollection, Kuhn, Loeb & Co.; Kidder, Peabody & Co.; Lee, Higginson & Co.; and latterly, Lee Higginson Corporation. Since Morgan Stanley & Co. have handled this financing, those names have headed the list. There have also followed them in all of the issues, the First Boston Corporation; Brown, Harriman & Co.; and Edward B. Smith & Co., and those names, by and large, have been the names that have appeared in the public advertising.

Mr. NEHEMKIS. And it was that list of names and those underwriting houses which you have just enumerated that you regard as being the group?

Mr. MITCHELL. Those names have appeared so often with the head of the group, with the head of the underwriting syndicate, that I would say that they were regarded as the principal names in the Telephone business. I would say that in certain issues, that list has been materially enlarged. If I might be permitted to just expand on that for a moment, in October 16, 1935, being the first issue of the Illinois Bell Telephone Co., to which reference was made this morning, in that issue there were nine underwriters and the names which I have given headed the list and two others only were added, Mellon

Securities Co., and Bonbright & Co., and their names did not appear in the public offering of the issue, advertising and prospectus.

The second issue was the Southwestern Bell Telephone Co. issue, made on December 12, 1935, an issue of \$44,000,000, in which the list of underwriters was increased by one. In other words, 10 underwriters.

Mr. NEHEMKIS. But the same seven names appeared?

Mr. MITCHELL. The same nine names as previously, and the firm of Dillon, Reed was added.

Mr. NEHEMKIS. May I just interrupt you for a moment so that the record may be clear? I asked you whether the same seven names that you originally enumerated also appeared in the Southwestern Bell issue?

Mr. MITCHELL. They did.

To continue: The third issue was an issue of April 16, 1934, \$30,000,000 of the Pacific Telephone & Telegraph Co. The number of underwriters in that issue was 10, and consisted of those 7 names previously mentioned, and Blyth & Co., Incorporated, Dean Witter & Co., and Harris, Hall & Co.

The next issue was the large issue of October 15, 1936, an issue of \$150,000,000 of American Telephone & Telegraph Co. That issue had 47 underwriters, and in addition to the particular names enumerated before, who headed that list, were—I will simply state the first 3 or 4—Blyth & Co., Incorporated, Mellon Securities Corporation, Bonbright & Co., Lazard Frères.

The next issue was again an issue of the American Telephone & Telegraph Co., offered on December 2, 1936. At that time the underwriting list was extended to 97 names.

Mr. NEHEMKIS. Did the first seven houses appear in the same order as in the previous issues?

Mr. MITCHELL. The first houses were as before, they were followed by Blyth, Mellon, Bonbright, and Lazard.

The next issue was an issue of the Pacific Telephone & Telegraph Co., dated December 17, 1936, a smaller issue of \$26,000,000, and 10 underwriters.

Mr. NEHEMKIS. Of the first seven, then, I take it, the original group appeared?

Mr. MITCHELL. And in addition to those seven names, Blyth & Co., Dean Witter & Co., and Harris, Hall appeared.

And the next issue was an issue of \$42,500,000 of Southern Bell Telephone & Telegraph Co., dated May 5, 1937. In that issue there were 48 underwriters. The names previously mentioned were the only ones appearing.

The next issue was the New York Telephone & Telegraph Co., an issue of \$25,000,000 on June 24, 1937, with the same list of houses appearing and only one additional underwriter, making eight in total, that underwriter being Harris, Hall.

The next issue, an issue of \$27,750,000, Mountain States Telephone & Telegraph Co., brought out under the date of June 9, 1938. In that issue there were 37 underwriters, the same names appeared as heretofore in the advertising and were followed by Blyth, Bonbright, Mellon Securities, and Lazard Frères.

The next issue was \$28,900,000 Southwestern Bell Telephone Co., brought out July 14, 1938. There were 43 underwriters. The same names as originally stated were the ones appearing in the advertising.

The next issue, and the last, was \$22,250,000 Southern Bell Telephone & Telegraph Co., dated July 20, 1939, the issue was underwritten with 47 names and was advertised under the same names as we first mentioned.

May I add, it is an unusual situation that persists, I think, throughout this Telephone business. For instance, in the issue of December 2 there was \$140,000,000, there were—

Mr. NEHEMKIS (interposing). That is the American Telephone & Telegraph Co. issue?

Mr. MITCHELL. Yes. There were 97 names in these issues. The unusual feature appears of the manager of the account guaranteeing to the issuer the responsibility of the underwriters. You will bear in mind that over a long period of years, the underwriting house first bought the issue outright, then formed a separate banking group that might be followed by a purchase group and a selling group. The underwriter, the principal underwriter, took the sole responsibility. Since we had the Securities Act, it will be borne in mind that the responsibility of the underwriters is several.

Now, when one finds a list of 97 names scattered all over the country, we meet immediately the problem of due diligence on the part of all of these underwriters and the work of the underwriting manager, the work of the lawyers, becomes doubled and redoubled. In fact, I will say that one of the principal difficulties in the long underwriting list today is to really satisfy the requirements of the law on the subject of due diligence by underwriters. I am making that point in passing, Mr. Chairman, as a point of particular interest, and I mention it because in this Telephone financing we find something that is rather unusual. The obligation is several, ordinarily, but in these Telephone issues, Morgan Stanley guaranteed to the issuer the responsibility of their entire underwriting list.

The CHAIRMAN. Well, Morgan Stanley would undertake the primary responsibility. That is what you mean?

Mr. MITCHELL. Yes.

The CHAIRMAN. Now, how about the other underwriters?

Mr. MITCHELL. The other underwriters assume the same responsibility that they do where it is distinctly a several obligation.

The CHAIRMAN. But do they do it on independent investigation?

Mr. MITCHELL. They are supposed to. Not necessarily independent, but they are supposed to.

The CHAIRMAN. Well, they satisfy themselves.

Mr. MITCHELL. They must satisfy themselves and be duly diligent in the process.

The CHAIRMAN. That is right. But all of the terms are fixed by the first underwriter, are they not?

Mr. MITCHELL. Yes.

The CHAIRMAN. And the others come in without going through any negotiations with respect to the actual terms?

Mr. MITCHELL. Without negotiations with the issuer, though very often there are corrections and changes made after conference with the principal underwriter and counsel.

The CHAIRMAN. But the price paid to the issuer and the price of resale to the public is fixed by the first primary house?

Mr. MITCHELL. Not in all cases by any means. For instance, we have a case of our own in the Anaconda Copper financing. In that case, the issuer was not satisfied until he knew the price views of every single member of that underwriting group, and among the papers that were photostated for the benefit of your committee, you will find a statement that I made to the president of the Anaconda Copper Co., giving the price views of each one of that underwriting group for the record.

The CHAIRMAN. Does each of the group participate on the same terms, though not in the same proportion?

Mr. MITCHELL. On exactly the same terms, except there was a fee to the manager.

The CHAIRMAN. In other words, the manager gets a special fee as manager, but then the spread is the same for all of the participants?

Mr. MITCHELL. That is true; yes.

Mr. NEHEMKIS. Mr. Mitchell, you stated a moment ago that Morgan Stanley guaranteed the Telephone account. Do you know of your personal knowledge whether Morgan Stanley did that at the specific request of the Telephone Co.?

Mr. MITCHELL. Of my personal knowledge I do not know; I can only say that there are other instances of their issues where it has been done, but it is not universal practice.

Mr. NEHEMKIS. So that there are other Morgan Stanley issues in which Morgan Stanley does guarantee the liability of all members of the account?

Mr. MITCHELL. Yes.

Mr. NEHEMKIS. Mr. Mitchell, you have made frequent reference as you went over the various underwriting groups on the Telephone issues to the original seven houses that we referred to at the outset of your discussion. Am I to understand that it is to that group that you had reference when you said that account was "more nearly frozen than most accounts"?

Mr. MITCHELL. Yes.

Mr. NEHEMKIS. Now, in your testimony this morning you said that there were other accounts that came into that general frozen category. Will you just run over a few that you have knowledge of that have the same situation as the Telephone group that we have been going over?

Mr. MITCHELL. Mr. Counselor, I don't think I would be quite prepared to do that without a little research. I think it would apply to certain of the railroad accounts.

Mr. NEHEMKIS. Would you be willing to send us a memorandum on that, have your staff give us the benefit of your views?

Mr. MITCHELL. I will do so gladly, though I want to be sure that I am not trying to present the names of a frozen account, because, as I said this morning, I won't agree that any account is frozen.

Mr. NEHEMKIS. I think you covered yourself very well. You said you can't be truly comprehensive of a situation in making that remark. There are certain accounts that are frozen to a far greater extent than others. You have given us vividly an example of one account in your testimony this morning, and if you will give us a memorandum on some of the other accounts, I think the committee would be very appreciative.

Mr. MITCHELL. I will be glad to do my best.

VALUE OF OPENING DEPOSIT ACCOUNT WITH J. P. MORGAN & CO. TO AN
INVESTMENT BANKING HOUSE

Mr. NEHEMKIS. You identified for me, Mr. Mitchell, a letter dated September 30, 1935, from your West Coast partner, Mr. Blyth, to yourself. I will read you a part of that letter. This is Mr. Blyth addressing you [reading from "Exhibit No. 1645"]:

I had at one time thought as soon as we could maintain a reasonable balance, say nothing less than \$500,000, it might be well to try to get under the tent in that way, but of course I realize that we would then be somewhat in competition with other banking organizations which perhaps could keep several times that amount on deposit and if the deposit line were an influencing factor, would far over-top us.

Now, to what did Mr. Blyth have reference when he suggested the advisability of getting "under the tent" in that way?

Mr. MITCHELL. I am sure Mr. Blyth wouldn't mind my saying that his suggestion arose from a lack of perfect understanding regarding the—what expression did he use?

(Mr. Henderson took the chair.)

Acting Chairman HENDERSON. The "deer runs," and we added the "salt licks."

Mr. MITCHELL. Yes; I'd say that. I told Mr. Blyth at the time that that was not a thing that was either necessary or that would help us in our position at all. I was in favor of it for only one reason.

Mr. NEHEMKIS. Will you tell us before you continue with your explanation—forgive me for interrupting so that we may follow you clearly—to whom did Mr. Blyth have reference when he suggested opening up this deposit bank? What bank was it?

Mr. MITCHELL. J. P. Morgan.

Mr. NEHEMKIS. I just wanted to make sure I understood that.

Mr. MITCHELL. One reason I was prepared to concede to the opening of the comparatively small account there was that we very often have occasion to ask for information as one may do with their own bankers, and J. P. Morgan & Co. are unusually equipped to give the kind of information that I would want to have from time to time, and having an account there did give us an entree to the banking department of J. P. Morgan & Co. We had, incidentally, never used that account in any way, shape, or manner. I don't believe that Morgan Stanley & Co. have had any knowledge that that account was there. We have never borrowed a cent there, and it is purely a casual account such as we maintain with many banks.

Mr. NEHEMKIS. Now, this morning you were also good enough to identify for me, Mr. Mitchell, a letter from Mr. Blyth to you, dated

August 2, 1935, and I should like to read you from that letter [reading from "Exhibit No. 1643"]:

I have just read your letter of July 31st and have acknowledged the message which Tom McCarter conveyed in his letter to you. It is too bad this deal didn't work out but the best fishermen in the world cannot catch all of the fish.

I'm not particularly concerned that J. P. Morgan & Co. are going to return to the investment banking business—it was inevitable.

You will recall we have some discussion as to my use of the word "inevitable," but apparently Mr. Blyth also felt the way I did about the use of that word.

Mr. MITCHELL. Your word was "never."

Mr. NEHEMKIS. Not "inevitable"?

Mr. MITCHELL. No.

Mr. NEHEMKIS. I see; I am sorry.

[Reading further from "Exhibit No. 1643"]:

Our main job is to get under the covers and as close to them as is possible. While I recognize the eloquence of adequate capital, I also am a believer in the efficacy of strong personal relationships. That you have such with the Morgan institution is a certainty.

I wonder if we would not make our weather eye function better if we were to open an account with J. P. Morgan & Co. whether or not that organization or the Drexel organization are to be active in investment banking. I should think our cash capital must be at the moment, or very shortly will be, \$3,000,000 or more and if it seems advisable to have an account with Morgan, we ought to be able easily to maintain a balance of \$400,000 or \$500,000 which, in their way of looking at things, isn't of much importance but it is a very definite evidence of our desire and ability to cooperate to some extent.

Now, was it your general impression as a result of your discussions with your New York associates, and with Mr. Blyth, that regardless of the set-up which would be devised for handling underwriting, the attitude of the parent house, J. P. Morgan & Co., would be important and its good will influential?

Mr. MITCHELL. So far as your inquiry pertains to the letter which you are introducing in evidence I would say, from my standpoint, absolutely not.

Mr. NEHEMKIS. But Mr. Blyth, not being familiar as you said a moment ago, with the "deer runs," apparently was under that misapprehension?

Mr. MITCHELL. Yes.

Mr. NEHEMKIS. And it was Mr. Blyth's belief that irrespective of the way in which the Morgans set up their investment-banking department, it was desirable to have the good will of the House of Morgan?

Mr. MITCHELL. I just question your language when you say "irrespective of the way J. P. Morgan might decide to set up their banking department." I am not qualified to answer on that particular basis.

Mr. NEHEMKIS. Well, if you will answer the second part of my question, I think that would be satisfactory, that Mr. Blyth thought that opening up a deposit account with the Morgans was desirable in order to have the good will of that banking house?

Mr. MITCHELL. I think the assumption is that that is what he thought. It was not what I thought.

Mr. NEHEMKIS. I am confining my questions to what Mr. Blyth thought in his communication to you. Apparently he also thought

that a proper way to do this was through the deposit-account machinery?

Mr. MITCHELL. Apparently.

Mr. NEHEMKIS. And that opening up the deposit account would also show a cooperative spirit?

Mr. MITCHELL. That is apparent from the words of his letter, though he is wrong.

Mr. NEHEMKIS. So that irrespective of how the investment banking business would be handled subsequently, and irrespective of the formal separation of J. P. Morgan & Co. from the underwriting business, it was your partner's belief that getting under the Morgan "tent" would be useful in obtaining participations in Morgan Stanley underwritings?

Mr. MITCHELL. I am sure that was his erroneous thought, sir.

Acting Chairman HENDERSON. On this question of Mr. Blyth: Now Mr. Blyth had been in the investment banking business quite a long time, had he not?

Mr. MITCHELL. A very long time. The firm, our firm now, is, dating from its original, about 25 years old.

Acting Chairman HENDERSON. And although he wasn't a veteran, perhaps, still his license and his red cap and the like were not new, were they? He knew something about the investment banking business and what passed for cooperation and other important items?

Mr. MITCHELL. Mr. Commissioner, I wish I could really be eloquent enough to make clear what great misunderstandings are had in the minds of bankers that are far removed from New York City regarding what happens in New York.

Acting Chairman HENDERSON. You know, Mr. Mitchell, you almost tempt me to ask for time to discuss that. I think it would be interesting. But you would say that this would come under the heading of a great misunderstanding as to what actually does happen?

Mr. MITCHELL. I wouldn't say great misunderstanding, I would say a lack of understanding.

Acting Chairman HENDERSON. Well, I think I am obliged to take your judgment on that.

Mr. NEHEMKIS. Mr. Chairman, I should like to offer in evidence now a letter which has been previously identified by the witness. This is a letter dated August 2, 1935.

(The letter referred to was marked "Exhibit No. 1649" and is included in the appendix on p. 11775.)

Mr. NEHEMKIS. Mr. Mitchell, I show you a letter addressed to you by Mr. Blyth, dated January 4, 1936. Will you examine this and tell me whether it is a true and correct copy of an original in your possession?

Mr. MITCHELL. That is a copy of the letter.

Mr. NEHEMKIS. The letter is offered in evidence.

Acting Chairman HENDERSON. It may be received.

(The letter referred to was marked "Exhibit No. 1650", and is included in the appendix on p. 11776.)

Mr. NEHEMKIS. I read you from that letter [reading from "Exhibit No. 1650"]:

As I wired you, on further thought and talking the matter over with Roy Shurtleff—

He is in the San Francisco office?

Mr. MITCHELL. He was.

Mr. NEHEMKIS (reading further):

We both feel the idea of opening an account with J. P. Morgan & Co. has much that might prove valuable, and certainly nothing that could be a disadvantage. It is true our account won't be very important, at least at the beginning, but it should show that our hearts are in the right place.

In other words, Mr. Mitchell, keeping a stationary account with the bank, with J. P. Morgan & Co., or the Guaranty Trust Co., or any other large bank is important. It indicates, to use the phrase of Mr. Blyth, that one's heart is in the right place?

Mr. MITCHELL. Yes; but as I again repeat, the only reason I wanted it there was for the particular purpose as stated, in order to be able to approach them when it was essential for us to have information regarding corporations or individuals where their information was first-hand and would be sound.

Mr. NEHEMKIS. In other words, one of the advantages, if it be an advantage, in having a deposit account with J. P. Morgan, is to obtain information concerning other large corporations which have deposit accounts with J. P. Morgan?

Mr. MITCHELL. It is what is called a banking relationship. Our relationship on investment-banking matters is entirely with Morgan Stanley & Co. Our relationship with J. P. Morgan is solely that of carrying with them a comparative small account, but being on their books and having a way to approach them.

Mr. NEHEMKIS. Now, on or about May 5, 1936, did Blyth & Co. open up a deposit account with J. P. Morgan?

Mr. MITCHELL. We opened one about that time.

Mr. NEHEMKIS. Do you recall about how much of an average balance you have carried with the Morgans?

Mr. MITCHELL. I think you have a copy of the transcript of the account, have you not? It was taken, a copy was taken from our files. I can't give you the exact amount. It is not an important amount. I should say that it probably ran from \$125,000 to \$300,000.

Mr. NEHEMKIS. Correct.

Mr. Chairman, I should now like to offer in evidence a schedule prepared by J. P. Morgan & Co., giving a list of the deposit accounts of investment-banking firms, that is, members of the Investment Bankers' Association of America, with J. P. Morgan & Co., Drexel & Co., as of July 1, 1939. I read you, sir, the letter of transmittal so that there will be no question concerning the authenticity of these schedules. The letter is addressed to counsel [reading from "Exhibit No. 1651-1"]:

TWENTY-THREE WALL STREET, NEW YORK,
September 22, 1939.

I wish to acknowledge receipt of your letter of September 19, 1939.

I am enclosing schedules which we have prepared and are submitting in response to your inquiry of August 17, 1939.

There is another paragraph; it is irrelevant.

I now read to you the names of the investment-banking firms carrying deposit accounts with J. P. Morgan & Co.

A. E. Ames & Co., Ltd., Toronto, Canada. The account as opened—

Acting Chairman HENDERSON (interposing). Just a minute. Has that been identified previously?

Mr. NEHEMKIS No, sir; I think the letter of transmittal should be sufficient identification.

Acting Chairman HENDERSON. All right.

Mr. NEHEMKIS. The letter is addressed, as I said, to counsel. [Referring to "Exhibit No. 1651-1."]

The account was opened on June 29, 1939. The maximum monthly average balance is \$30,000. The minimum monthly average balance is \$30,000.

Blyth & Co. The account as opened on May 5, 1936. And the maximum monthly average balances have been \$250,000, the minimum monthly average balance, \$71,000.

Acting Chairman HENDERSON. Is it your purpose to read all these?

Mr. NEHEMKIS. If it would save time, I will just put it into the record.

Acting Chairman HENDERSON. Unless you have some reason—

Mr. NEHEMKIS (interposing). The other schedules show loans by J. P. Morgan & Co. to various investment banking firms that are members of the Investment Bankers' Association. I think in all there are 25 accounts.

I offer it in evidence.

Mr. AVILDSSEN. Is the record clear as to what is meant by "maximum monthly average" and "minimum average"? How can you have a maximum average and a minimum average? I don't understand that.

Mr. NEHEMKIS. Well, I would hesitate to explain a schedule coming from J. P. Morgan & Co. If you wish to interrupt the proceedings, there are a number of the partners of the firm here; we could call them; or if you wish to take the matter up subsequently—whatever your pleasure is.

Mr. AVILDSSEN. Do you know the meaning of the term?

Mr. NEHEMKIS. I have an impression; but I don't care to testify as to what a partner of J. P. Morgan would consider those terms to mean.

Mr. AVILDSSEN. Do you understand what that term means? [To Mr. Henderson.]

Acting Chairman HENDERSON. Yes; but I am not a witness. If I were a witness, I'd want to be on a more important thing. Mr. Nehemkis, I suggest we get a definition and submit it.

(Senator O'Mahoney resumed the Chair.)

The CHAIRMAN. I might suggest that the letter of transmittal signed by Henry C. Alexander, states as follows [reading from "Exhibit No. 1651-1"]:

I am enclosing schedules which we have prepared and are submitting in response to your inquiry of August 17, 1939.

To what was your inquiry addressed?

Mr. NEHEMKIS. Those schedules.

The CHAIRMAN. And what did you ask for, what sort of a schedule?

Mr. NEHEMKIS. Exactly the information furnished.

The CHAIRMAN. Did you ask for a maximum monthly average balance and a minimum monthly average balance?

Mr. NEHEMKIS. To the best of my recollection, we did.

The CHAIRMAN. Then, if you did, what did you mean when you asked for them?

Mr. NEHEMKIS. We meant the same thing as J. P. Morgan meant when they furnished it to us. If you wish, I will call one of the partners.

Mr. MITCHELL. If I might try to be helpful, in a bank the average balance for a month becomes a part of the record. Now, in any year, there would be several months of different balances. This is the low minimum, and the other is the maximum for any one month. When they speak of averages they mean the average balances during any particular month.

That statement means that their balances ran from a high average of such amount to a low average of another.

The CHAIRMAN. I thought that I understood what it meant when the schedule was presented, because, of course, the balance in any bank, if it is a current, an active account, is constantly changing.

Mr. MITCHELL. That is so.

The CHAIRMAN. But since the question was raised, I think it ought to be defined definitely for the record.

Mr. AVILDSSEN. You mean there, Mr. Mitchell, that this is the maximum monthly average for a period of a year out of this 5-year period?

Mr. MITCHELL. I don't know whether it is a 5-year period.

Mr. AVILDSSEN. It is approximately 5 years.

Mr. MITCHELL. I would say that is a maximum or minimum during that period.

Mr. NEHEMKIS. Mr. Chairman, may I submit to you at the morning session a memorandum indicating the precise and technical meaning of those various terms as we understood them and as I assume that the banking house of J. P. Morgan understood them?¹

The CHAIRMAN. That will do very well.

The exhibit, together with the letter of transmittal, may be admitted for printing in the record. The additional information will be forthcoming in the morning.

(The letter documents referred to were marked "Exhibits Nos. 1651-1 to 1651-3" and are included in the appendix on pp. 11777-11778.)

Mr. NEHEMKIS. Mr. Mitchell, I show you six letters, photostat copies of what purport to be originals in your files. Will you glance at these letters and tell me if they are true and correct copies?

Mr. MITCHELL. Yes; I recall these letters.

Mr. NEHEMKIS. May it please the committee, the letters identified by the witness are offered in evidence.

The CHAIRMAN. The exhibits may be received.

(The letters referred to were marked "Exhibits Nos. 1652-1 to 1652-6" and are included in the appendix on pp. 11778-11781.)

MORGAN STANLEY & CO. "SURVEY OF STREET CONDITIONS"

Mr. NEHEMKIS. You were good enough to identify a letter for me this morning, dated October 5, 1937, from yourself to your West

¹ The additional information referred to was supplied in "Exhibit No. 1668," introduced on December 15, 1939, and included in appendix, p. 11827.

Coast associate, Mr. Blyth. I read to you from that letter [reading from "Exhibit No. 1647"]:

Harold Stanley, of Morgan Stanley & Company, telephoned yesterday and told me that in light of certain commitments of Street houses where losses were likely to be substantial, and in view of the further heavy commitments that must be taken on additional business in the near future, they were making a general survey of Street conditions and asked if I would care to let them see our picture. I naturally acceded and spent a full hour with him yesterday afternoon.

I gave him, as of September 30th, our figures of net worth; our nine months operating profits; a general statement of our inventories broken down as to classes; a statement of our cash and loan position, and a full statement of our commitments. I also gave him a description of our operating set-up and its cost and a "horseback" opinion as to how rapidly, under pressure, we could liquidate inventories, and to what extent and how rapidly we could cut operating expenses. When I got through he was most laudatory in his expression and indicated that from the standpoint of profit record, inventory and commitments, our record was one of the finest that he had seen on the Street.

In turn he gave me a confidential look at the Morgan Stanley statement, which showed a net worth of about \$10,000,000 and was practically 100% liquid.

Of your own personal knowledge, Mr. Mitchell, can you state whether the underwriting firm of Morgan Stanley conducts surveys of general conditions of the financial community?

Mr. MITCHELL. I have never known of anything that I could call a general survey, Mr. Counselor.

Mr. NEHEMKIS. Then you don't wish me to take literally the sentence that you used, "they were making a general survey of Street conditions?"

Mr. MITCHELL. That is what he told me, but I have no knowledge of there having been a general survey. I don't say there wasn't one, but I have no knowledge of it.

Mr. NEHEMKIS. Now, as I recall it, perhaps you can tell me, please, October 5, 1937, was a period of market crisis, was it not?

Mr. MITCHELL. Yes. That was a period following a rather disastrous experience of underwriting houses in two issues, Bethlehem Steel bonds and Pure Oil preferred stock.

Mr. NEHEMKIS. And after you received Mr. Stanley's request, you complied with it?

Mr. MITCHELL. I did.

Mr. NEHEMKIS. Wasn't this request rather unusual coming from a competitor, that is to say, in other businesses would it not be considered most unusual if the leading competitor audited the books of its rivals at a time of crisis?

Mr. MITCHELL. I think I have referred, in my testimony this morning, to J. P. Morgan & Co., and following them, Morgan Stanley, as leaders in the Street, and the entry of Morgan Stanley & Co. being assurance that it was for the benefit of the Street.

Mr. NEHEMKIS. That is what you meant, sir, I take it, by "constructive leadership"?

Mr. MITCHELL. "Constructive leadership," and I would consider that constructive leadership.

Mr. NEHEMKIS. Mr. Mitchell, would you have made information as confidential as this available to any other house than Morgan Stanley?

Mr. MITCHELL. Yes; I think so. I think that if I had recognized it as in such complete good faith, made by, for instance, Kuhn, Loeb & Co., I would have been very frank about it.

Mr. NEHEMKIS. Has any house other than Morgan Stanley ever requested such similar information from you?

Mr. MITCHELL. No.

Mr. NEHEMKIS. So, to the best of your knowledge, you have never exchanged such information with other houses?

Mr. MITCHELL. No.

Mr. NEHEMKIS. Would you say it was a customary procedure on the Street for houses to exchange such confidential information between themselves?

Mr. MITCHELL. Well, it may seem peculiar to answer that in the way I will. While it is not customary to exchange such information, I would hazard a guess, I could come pretty near to stating the condition of most houses on the Street, their capital and where they stand from time to time, by virtue of what one sees and feels and hears, it becomes—a combination of all those becomes knowledge. I wouldn't have to ask for a questionnaire and I doubt if Morgan Stanley would have to ask for a questionnaire from most houses on the Street.

Mr. NEHEMKIS. Nevertheless, on or about October 5, 1937, Morgan Stanley was constrained to ask for information on the general financial condition.

Mr. MITCHELL. Mr. Stanley did it with me in a very informal way, and I don't know to what extent he went further on that.

PERFORMANCE RECORDS KEPT BY MORGAN STANLEY & CO., INCORPORATED

Mr. NEHEMKIS. Yes. Does Morgan Stanley keep records of the performance of underwriters who are members of their syndicates?

Mr. MITCHELL. I don't know whether they keep general records. I assume they do. We always do, and I think most every house in the Street does, and the very fact that they have more than once given to me their record of our performance would indicate that they had done so with us, and if they did do with us, they must have with others.

Mr. NEHEMKIS. Your answer is that Morgan Stanley does keep performance records?

Mr. MITCHELL. I can't answer that, but I would think it probable.

Mr. NEHEMKIS. Now, at the time you visited Mr. Stanley and discussed your financial situation with him, did he not give you a copy of your performance record which you took back with you?

Mr. MITCHELL. At one time he gave me a brief memorandum of some performance record, I can't recall what it was, but I do recall vaguely having sent that record to my partner, Mr. Blyth.

Mr. NEHEMKIS. That is correct, and I shall read to you from the letter that you wrote to Mr. Blyth [reading from "Exhibit No. 1647"]:

Stanley showed me the records that they currently keep with respect to our performance. On certain items where they took back securities from us where we had been slow in selling, the record was not so good, but on the whole I thought it made a pretty good showing, especially with respect to the bonds that they had bought back in the open market from our distributions. My impression was that they considered the record fair to good. He showed me one memorandum of the so-called profit that we had had from their underwritings since they started business. With his consent I took the sheet away with me and am attaching hereto a copy.

I show you a copy of the sheet and ask you to identify it for me.

Mr. MITCHELL. Yes, that is it, as I recall it.

Mr. NEHEMKIS. Now, on the bottom of the sheet there is a peculiar notation, if my memory serves me correctly. There are some figures there.

Mr. MITCHELL. Yes.

Mr. NEHEMKIS. Would you explain that to me, if you will, sir? Read it, just the asterisk.

Mr. MITCHELL. It says [reading from "Exhibit No. 1653-1"]:

This includes \$769,425. being theoretical profit on Bonds and Stocks retained by them.

Mr. NEHEMKIS. I was very much confused by the reference to theoretical profit on bonds and stocks retained by them and I thought possibly you might be able to enlighten the committee.

Mr. MITCHELL. I assume that that means this: We may have an underwriting position of \$1,000,000. They may decide that it is best for the business that we should have the direct responsibility for distribution of, say, 60 percent of that million, or \$600,000, and that \$400,000 of the amount should be distributed through a general and very broad selling syndicate; and so they would make a delivery to us of 600,000 bonds, for our own distribution, and they would retain 400,000 of our bonds to distribute through a broad selling syndicate; and they figured that this profit was the profit to us on the amount of the underwriting and the profit on the distribution thereof and included in addition to the 600,000 the profit on the 400,000 that was distributed with the discount to a selling group. I think with that explanation, this asterisk becomes clear. This includes \$769,000 being theoretical profit on bonds and stocks retained by them.

The CHAIRMAN. Why did you take it away and why did you send it to Mr. Blyth?

Mr. MITCHELL. Simply as a matter of information. I think you will agree, if Blyth was sitting across the desk from me in New York and I had come back with that, I should have tossed it to him and said, "Charlie, this is interesting"; and our correspondence, so much of which is brought up here as being interesting, is because instead of being able to throw that on his desk and say just that casually, I am forced to write a letter.

The CHAIRMAN. You don't get my point. This is a record, I take it, which Morgan Stanley kept without your knowledge of the profit you were supposed to be making on your dealings with Morgan Stanley.

Mr. MITCHELL. That is right.

The CHAIRMAN. And when Mr. Stanley called you on this October day in 1937 to find out what the condition of your company was, you let your hair down between one another, as the saying goes, and you disclosed what the position of your company was and he in turn gave you a confidential look at the Morgan Stanley statement, according to your letter.

Mr. MITCHELL. That is right.

The CHAIRMAN. And then he handed you this. You took it and without any comment in this letter to Mr. Blyth, you transmitted it to him.

Now, the question that has arisen in my mind is, what is your judgment of the accuracy of that statement and was it for any purpose of testing its accuracy that you sent it on to Mr. Blyth?

Mr. MITCHELL. I can assure you, Senator, that I never tested the accuracy of it.

The CHAIRMAN. Did you attach any importance to it?

Mr. MITCHELL. When one talks about gross figures, they never interest me. We can't pay off on gross figures and very often there is a big gross and you couldn't put the net in your eye and have it hurt you. [Laughter.]

The CHAIRMAN. I mean, did you attach importance to this statement?

Mr. MITCHELL. None.

The CHAIRMAN. Why, then, did you transmit it?

Mr. MITCHELL. Simply because it was just interesting information and it was interesting to see how they kept their record. It had no meaning.

The CHAIRMAN. Of course, I assume from this letter that if Mr. Stanley called up almost any one of these houses and asked for the same information that he asked you, that information would be forthcoming very promptly?

Mr. MITCHELL. I would think so.

Mr. NEHEMKIS. The document is offered.

The CHAIRMAN. The document may be admitted to the record.

(The document referred to was marked "Exhibit No. 1653-1" and is included in the appendix on p. 11781.)

Mr. NEHEMKIS. Is it customary for a house that has the leadership of the account to keep a record of profits similar to the record you took away from Morgan Stanley? To be specific, does your house keep similar records on the accounts for which you have leadership?

Mr. MITCHELL. No; there may be memoranda regarding it, but we have no books of record in which we list that or give it significance.

Mr. NEHEMKIS. [Mr. Mitchell, my assistant tells me you have already identified this letter for me. I now read you a letter from your partner, Mr. Charles Blyth, to you, dated October 7, with reference to the letter which we have just been discussing [reading from "Exhibit No. 1653-2"]:

Your letter of October 5th is naturally of the greatest interest. What is most surprising, I think, is the change in times and customs which makes possible with Morgan & Company an exchange of the most confidential kind of information. Aside from that, I get no little satisfaction in having authentic and informed opinion confirming our own belief, or maybe it was hope, that so far this year our organization has handled itself about as well as conditions would allow.

Furthermore, it is a satisfaction to have our affairs in such shape that we can freely expose them to Harold Stanley, while harboring no mental reservations or anything to be ashamed of.

The letter, which has been previously identified, Mr. Chairman, is now offered in evidence.

The CHAIRMAN. It may be received.

(The letter referred to was marked "Exhibit No. 1653-2" and is included in the appendix on p. 11781.)

THE OCTOBER 1937 CRISIS—POSSIBLE READJUSTMENTS AMONG INVESTMENT
BANKING FIRMS

Mr. NEHEMKIS. I show you a letter dated October 21, 1937, addressed to Charles R. Blyth. I ask you to examine this letter and tell me whether it is a true and correct copy of an original in your possession.

Mr. MITCHELL. Yes; it is.

Mr. NEHEMKIS. The letter is now offered in evidence, Mr. Chairman.

The CHAIRMAN. The letter may be admitted.

(The letter referred to was marked "Exhibit No. 1654" and is included in the appendix on p. 11782.)

Mr. NEHEMKIS. I read from the letter, Mr. Mitchell [reading from "Exhibit No. 1654"]:

I have had occasion to sit down for informal chats today with both Harold Stanley and Elisha Walker—

Will you identify Elisha Walker, Mr. Mitchell?

Mr. MITCHELL. He is a partner of Kuhn, Loeb & Co.

Mr. NEHEMKIS (reading further):

and to each of them I said about this: "It may possibly be that before the year-end there will be some readjustments among the investment banking houses that will mean consolidations, buy-outs or takings-over. We have no desire to change our own status but if there is any development in which it would be helpful to the situation for us to act, and at the same time distinctly to our benefit to act, we would be glad to have it at least brought to our attention."

Mr. Mitchell, what was the occasion for those chats on or about October 21, 1937? Do you recall the situation at that time?

Mr. MITCHELL. Yes. I think we have spoken of the situation as it prevailed in October of 1937.

Mr. NEHEMKIS. In other words, 16 days later we still were in a period, reverting to the past, of market crisis, of Pure Oil, Bethlehem Steel, Northern States, and so on?

Mr. MITCHELL. It is a very much longer period, Mr. Counselor, longer than 30 days.

Mr. NEHEMKIS. And there was a stock-market crisis at that time?

Mr. MITCHELL. I can't tell you whether there was.

Mr. NEHEMKIS. Do you recall whether foreign balances were being withdrawn at that time, and whether or not there was talk of closing down the Exchange, whether the situation, in short, was not a panic situation comparable to the October days of 1929?

Mr. MITCHELL. I wouldn't say so, or anything like that. It was an acute situation among the investment banking community, but I wouldn't say that it extended itself to the point of being a crisis of major importance.

Mr. NEHEMKIS. But there was some disturbance on the Street at the time, was there not?

Mr. MITCHELL. Yes; and it pertained particularly to the investment banking houses.

Mr. NEHEMKIS. Now, how did you think you might be helpful in this situation? You referred to your desire to be helpful.

Mr. MITCHELL. Well, I don't know that I can define that quite for you. There were concerns, especially some of the concerns with smaller capital, that were in fairly dire straits at the moment, con-

cerns with excellent personnel, but lack of capital in certain situations. I couldn't say exactly how we could be helpful, but believing that Morgan Stanley & Co. and Kuhn, Loeb & Co. would be likely to know of situations where help might be needed, where taking over might be desired, I thought it best to let them know that we were prepared to consider any suggestion that either one of them had to make.

Mr. NEHEMKIS. How would Kuhn, Loeb and Morgan Stanley be in a position to know about consolidations and takings over and buy outs? Through the kind of questionnaire to which we have already referred?

Mr. MITCHELL. I wouldn't say so exactly. You see, both of those houses are distinctly underwriting houses.

Mr. NEHEMKIS. Houses of issue?

Mr. MITCHELL. Houses of issue; yes; and as such their business would be in contact to a greater degree than would be the case of a house such as ours, for instance, who do an underwriting business, to be sure, but in which that constitutes merely a part. Our services are many. Their services are concentrated in bringing them more directly in touch with the houses that are comparable to ours.

Mr. NEHEMKIS. You referred in your letter to benefits that might be derived by your firm. What benefits did you have in mind, Mr. Mitchell?

Mr. MITCHELL. Well, I can't define that, because they would be different in many different cases, but as I say, certain of these firms had very good personnel that we would have been glad to take over, and had offices, for instances, in cities other than the cities where we have offices. They had good distribution in places where we lacked distribution. By taking over a concern, for instance, with a strong New England distribution, it would have been very beneficial to us.

Mr. NEHEMKIS. Were you thinking, perhaps of acquiring new business, new leaderships, new accounts, as a result of these readjustments?

Mr. MITCHELL. I couldn't answer that directly. I was out looking for a chance to consider situations should they develop.

Mr. NEHEMKIS. And wanting to be helpful in such situations?

Mr. MITCHELL. Wanting to be helpful always where it would be helpful to us.

Mr. NEHEMKIS. But you are not clear as to how you would benefit?

Mr. MITCHELL. I think it would be different in almost every case presented to us, Mr. Counselor.

Mr. NEHEMKIS. I continue reading, Mr. Mitchell [reading from "Exhibit No. 1654"]:

Elisha Walker said that he would consider it more than probable that there would be some readjustments and if they came to their attention he certainly would bear us in mind. Harold Stanley said that it was the view of his firm and of the "corner" that there were too many houses in the business now, that there ought to be a smaller number and that number ought to be stronger, that he was delighted to know how we would view the situation in case developments might occur, and he further added that he would make our attitude known to the "corner."

Will you tell me what is meant by the phrase, "the Corner"?

Mr. MITCHELL. J. P. Morgan & Co.

Mr. NEHEMKIS. That is the usual phrase used in the financial community?

Mr. MITCHELL. It has been ever since I have been on the Street.

Mr. NEHEMKIS [reading from "Exhibit No. 1654"]:

Harold Stanley said that it was the view of his firm and of the "corner" that there were too many houses in the business now, that there ought to be a smaller number, and that number ought to be stronger, that he was delighted to know how we would view the situation in case developments might occur and he further added that he would make our attitude known to the "corner."

So that I gather that Elisha Walker and Harold Stanley, in view of the intimate knowledge that they had of the condition of the Street at that time, both felt that readjustments would take place and probably were necessary?

Mr. MITCHELL. They might take place.

Mr. NEHEMKIS. Since you instituted these chats, Mr. Mitchell, you must have been aware that some of the firms on the Street were experiencing financial difficulties at the time, were you not?

Mr. MITCHELL. I was.

Mr. NEHEMKIS. Well, now, you went, then, to Morgan and Kuhn, Loeb to discuss the situation rather than to the firms which were having financial difficulties themselves?

Mr. MITCHELL. Oh, yes.

Mr. NEHEMKIS. Now, was this because you recognized that if any redistribution of business was to take place, K., L. and Morgan Stanley might have the decisive voice in the redistribution?

Mr. MITCHELL. No; I wouldn't say they would have the decisive voice; but they certainly would be called important listening posts as far as the Street is concerned.

Mr. NEHEMKIS. Would you say, Mr. Mitchell, that Morgan Stanley & Co. is an important listening post for J. P. Morgan & Co.?

Mr. MITCHELL. I can't answer that.

Mr. NEHEMKIS. Now, was it a realization on your part, when you instituted these chats, that Morgan Stanley, having just completed a survey of Street conditions, would obviously be in a position to know what firms were either "broke" or on the verge of going "broke"?

Mr. MITCHELL. I think that they would know at all times, and I think that Kuhn Loeb would know at all times pretty well what the situation was on the Street.

Mr. NEHEMKIS. And did you agree with Mr. Stanley that there were too many firms in the business?

Mr. MITCHELL. I didn't agree or disagree. We didn't discuss it.

Mr. NEHEMKIS. Do you know, of your own knowledge, whether or not Harold Stanley discussed with "the Corner" the results of his recent survey on Street conditions?

Mr. MITCHELL. I do not.

NONRECEPTIVITY OF BLYTH & CO. INC. TO SPECIAL CAPITAL

Mr. NEHEMKIS. I continue reading from your letter, Mr. Mitchell [reading further from "Exhibit No. 1654"]:

Stanley said that since our talk of a week ago the question had arisen as to whether any part of our capital was "special," and when I answered in the negative he asked whether we would be receptive to a suggestion of "special" capital coming into our business.

Isn't that a rather anomalous conference or discussion between banking houses? Of what interest would it be to Mr. Stanley whether

or not there was special capital in your firm or whether you would be interested in getting special capital?

Mr. MITCHELL. Well, I think perhaps you are putting undue stress on that. Mr. Harold Stanley has been more or less an intimate friend of mine for 25 years, and I would chat informally with him on any subject, and he would say he would chat, I think, with me with equal intimacy. And just jotting down casually the talk that I had with him doesn't mean that he was putting stress or emphasis on this particular point; it was a casual conversation.

Mr. NEHEMKIS. I understand, Mr. Mitchell, and may I ask you another question? Who would have supplied this special capital? Would it have come from the partners of J. P. Morgan & Co.?

Mr. MITCHELL. That never crossed my mind.

The CHAIRMAN. What is special capital?

Mr. MITCHELL. Special capital in a corporation such as ours is a little difficult to define, but I assume it would be special capital that would, perhaps, come in in the shape of some prior preferred stock with a participation in profits, or something of that sort. That is the way it might develop. The conference was never pursued and we have no such special capital, so that it is difficult for me to answer, Senator.

The CHAIRMAN. Of course, your letter indicates that you did not attach a great deal of significance to it, and you say, as a matter of fact, that you have not the slightest inkling of what he was trying to get at. I took that to mean, in what he was trying to offer.

Mr. MITCHELL. That is right.

The CHAIRMAN. I assume that you and Mr. Blyth and Mr. Stanley all knew exactly what was meant by special capital and your answer to me now indicates that you do have—

Mr. MITCHELL (interposing). You have to come in in some such way, just what I don't know.

The CHAIRMAN. Would it be a justifiable inference for me to draw that Mr. Stanley was intimating to you that if it were desirable to you "the Corner" might be willing to offer some special capital to your firm at this time?

Mr. MITCHELL. I wouldn't say that, Senator. He might have had in mind very different capital, capital that would come from some other individuals or it might come from some investment trust, I couldn't say, but the intimation was never given to me, nor did it ever cross my mind that the capital that he was speaking of would come from the partners of J. P. Morgan & Co.

The CHAIRMAN. Do you know of any houses operating in the Street at this time which did have special capital of this kind?

Mr. MITCHELL. No; I don't know the detail of this, but at one time some years ago a firm on the Street did get into some financial difficulty and I think for a long time capital which came through "the Corner"—whether it came from partners or directly from J. P. Morgan & Co. I don't know—I never have had the interest really to find out—came through their intervention certainly and went into that firm and has since been paid out. In what way it went I can't tell you.

Mr. HENDERSON. Mr. Mitchell, would you consider the investment of J. P. Morgan & Co. in the preferred stock of Morgan Stanley special capital?

Mr. MITCHELL. I have really no information as to the preferred stock of Morgan Stanley, and I am not in position to answer that question, Mr. Commissioner.

Mr. MILLER. What about partnership capital where you have special capital in a partnership with limited liability? Do many houses have that sort of set-up?

Mr. MITCHELL. Oh, yes; and you will find certain of the houses that are in the investment-banking business, such as E. B. Smith, or Smith, Barney, I assume, who have special capital. That is capital with limited liability.

Mr. MILLER. Isn't that really what is meant here by special capital?

Mr. MITCHELL. Yes; that in general is what we mean by special capital. They might have an interest in the profits of the business but that capital is a prior lien, as one might say, over the general partners' interest.

Mr. MILLER. Isn't it generally limited as to liability?

Mr. MITCHELL. It is always limited as to its liability.

The CHAIRMAN. You see we have an interesting picture drawn into the testimony now, Mr. Mitchell. In the first place, the story about the practically invariable percentages of participation in various issues dominated by Morgan Stanley. Secondly, the deposits maintained in the J. P. Morgan bank by these various companies, and now an intimation from Mr. Stanley of the possibility of investing special capital in an investment-banking house, all tending to show a certain amount of, shall we say, concentrated leadership in the Corner.

Mr. MITCHELL. Senator O'Mahoney, in all my experience on the Street I have known J. P. Morgan as a constructive leader, especially in times of difficulty.

The CHAIRMAN. There is no conflict between the two ideas; it might be altogether constructive and still be concentrated leadership.

Mr. MITCHELL. Certainly. What I was going to say was this: That when they talk of special capital I would think it more than probable that they were constantly in touch with capital that might be induced to enter situations where they thought it desirable that such capital enter. It never crossed my mind at that time and not until this hearing that Stanley might be speaking of an interest of the partners of J. P. Morgan & Co. or of the firm. They are naturally in touch with large capital that might be used for such purpose.

Mr. NEHEMKIS. Mr. Mitchell, one further point about this letter and then I shall pass on to another matter. I am very much interested in the fact that you discussed such a serious matter with Mr. Stanley and yet you wrote to your partner: "I haven't the slightest inkling of what he was trying to get at and your conjecture would be just as good as mine." Do you want the committee to understand that you carried on a discussion as serious as this without ever once asking Stanley what he had in mind about the talk of special capital?

Mr. MITCHELL. Yes, Mr. Counsel; because we were not interested in that kind of capital. My notion of the development of Blyth & Co. is that it shall build itself up through its own development, and I would be opposed to outside capital coming in at any time, and we have built ourselves up to the point today that is very different than it was in 1935 when I first came with the concern, and I have

every expectation that unless the legs are knocked out from under that we will take our place sufficiently in importance in the investment banking fraternity to increase that capital to definitely put us where I feel that we should belong, and incidentally in the——

Mr. NEHEMKIS (interposing). First seven.

Mr. MITCHELL. First seven.

Mr. NEHEMKIS. I hope so for your sake.

Mr. ARNOLD. The special capital would deprive you of control over your own affairs?

Mr. MITCHELL. More or less. To me it is undesirable capital.

Mr. ARNOLD. It would increase the domination of the groups who had special capital in other groups?

Mr. MITCHELL. Well, not if the capital came from individuals. If it came from perhaps houses on the Street—I wouldn't want any house on the Street to have an interest in us because I would feel that that was just as you say, possibility of domination might enter there. John Smith & Co. at some point removed from Wall Street might have capital of a different character and I wouldn't feel to the extent that domination, but I just would rather not have it.

The CHAIRMAN. If John Smith were induced to supply that special capital by another house on the Street, the result would be the same?

Mr. MITCHELL. Senator, I would just rather not have it anyway.

The CHAIRMAN. And for that reason, that it leads to domination, as Mr. Arnold said. It would open the door to the possibility?

Mr. MITCHELL. I don't say that it would lead to domination. I think probably at that point we would split if domination started, but I don't want to get into the position where that split would be a likelihood.

Mr. NEHEMKIS. Mr. Mitchell, I show you a letter from yourself to Mr. Charles R. Blyth dated August 8, 1938. This is a photostat copy. I ask you to tell me whether it is a true and correct copy of an original in your possession?

Mr. MITCHELL. Yes; I recall this letter. That is a copy.

(The letter referred to was marked "Exhibit No. 1655" and is included in the appendix on p. 11783.)

Mr. NEHEMKIS. I show you a letter, the original, dated August 16, 1939, addressed to me, with an enclosure. I ask you to look at these two papers and tell me whether they are the originals which you submitted to me on the dates specified.

Mr. MITCHELL. They are.

Mr. NEHEMKIS. The three papers identified by the witness are offered in evidence, Mr. Chairman.

The CHAIRMAN. Without objection they may be received.

(The letters referred to were marked "Exhibits Nos. 1656-1 and 1656-2" and are included in the appendix on pp. 11783 and 11784.)

MORGAN STANLEY & CO. QUESTIONNAIRE ON UNDERWRITING ACTIVITIES OF
BLYTH & CO., INC.

Mr. NEHEMKIS. The letter to which reference has been made, Mr. Mitchell, contains the following, which you wrote to Mr. Blyth [reading from "Exhibit No. 1655"]:

Here is a matter of more than passing interest. Last Friday, John Young, of Morgan, Stanley & Co., talked with Roy—

Roy Pagen?

Mr. MITCHELL. Shurtleff.

Mr. NEHEMKIS. Shurtleff [reading further]:

on the telephone, and asked him if we would mind giving them, in confidence, a statement of the amount of underwriting we had done during the past 3 years.

Mr. Mitchell, I call to your attention the date of that letter, August 8, 1938 [reading further]:

Enclosed is a copy of Jack Pagen's memorandum to Roy which gives the specific questions and answers in the form requested, and which Roy is sending over to the Morgan Stanley office this afternoon. One can merely conjecture what they are getting at.

Do I understand correctly that your firm was requested to submit in confidence a statement of the amount of underwritings done during a period of years, 3 years to be exact, that you did furnish this information and you never inquired of Morgan Stanley to what purposes it would be put?

Mr. MITCHELL. I wasn't the one that had the conversation with Morgan Stanley. This letter recies John Young of that firm talked to Roy Shurtleff and asked him for this information.

Mr. NEHEMKIS. But apparently your associates were likewise in ignorance as to what uses this might be put because in reporting this to your west coast partner you say, "One can merely conjecture what they are getting at."

Mr. MITCHELL. That question was brought in to me by Mr. Shurtleff and we sat and discussed it. I remember my reaction was, "I don't know what this is about but I see no objection whatsoever to doing it."

Mr. NEHEMKIS. Usually information as confidential as this, one is loath to make available unless one knows the reasons or what is in mind as to the uses to which it might be put. Nevertheless, you did make it available, and you also informed your partner:

Of course, the information asked for is of a character that we would not want to give to any other inquirer than Morgan Stanley or the Federal Reserve Bank.

So that in your mind, Mr. Mitchell, Morgan Stanley & Co. occupies the same position as the Federal Reserve Bank and the Temporary National Economic Committee since we too have asked for similar information?

Mr. MITCHELL. Well, for different reasons we give the Federal Reserve Bank anything that they want.

Mr. NEHEMKIS. I think the committee is familiar with the kind of information that you furnish the Federal Reserve Bank.

Mr. MITCHELL. And to our good friends Morgan Stanley would be glad to give anything regarding our business at any time. I wouldn't want to scatter that around the Street. I have found over the years that anything given to them is confidential and I can rely upon that.

Mr. HENDERSON. You wouldn't have any other good friends in that same relationship?

Mr. MITCHELL. No.

Mr. NEHEMKIS. In other words, a questionnaire from the Stanley National Economic Committee—

Mr. MITCHELL. What's that?

Mr. NEHEMKIS. A questionnaire from the Stanley National Economic Committee receives the same treatment that a questionnaire does from the Temporary National Economic Committee in your eyes?

Mr. MITCHELL. I hardly agree to that. I think that is quite unfair.

Mr. NEHEMKIS. I withdraw the remarks.

Mr. HENDERSON. That is just a little byplay, Mr. Mitchell. I think he is entitled to a little.

Mr. NEHEMKIS. I wasn't serious, Mr. Mitchell.

Mr. MITCHELL. I don't resent it.

Mr. NEHEMKIS [reading further from "Exhibit No. 1655"]:

If I casually find out—as it is more than probable I will in the next few days—the reason back of this questionnaire, I will advise you.

Now I show you a letter dated August 10, 1938, from you to your West Coast partner, Mr. Blyth. Will you identify it for me?

Mr. MITCHELL. I have identified it.

Mr. NEHEMKIS. The letter dated August 10, 1938, Mr. Chairman, is offered in evidence.

(The letter referred to was marked "Exhibit No. 1657" and appears below.)

Mr. NEHEMKIS. In this letter you wrote as follows:

AUGUST 10, 1938.

Dear Charley,

In talking with Harold Stanley today, I found that their questionnaire on underwritings and participations, concerning which I wrote you early this week, was prompted solely by the thought that they may be called in one day to answer a charge of monopoly, and that they are getting together as much information as they can to answer promptly any questions which may be asked.

Of course, such a charge could not possibly be sustained, but these are queer days and I can readily understand that the charge may be forthcoming.

Sincerely,

CEM-JI

[Laughter.]

Mr. MITCHELL. Thanks for reading the last paragraph.

The CHAIRMAN. Did I understand you to say that you underwrite the last paragraph? [Laughter.]

Mr. MITCHELL. Part of it.

Mr. ARNOLD. You were afraid, perhaps, that someone might construe the term "constructive leadership" as monopoly?

Mr. MITCHELL. Quite so.

Mr. NEHEMKIS. Mr. Mitchell, I show you four sets of documents obtained from your files. Will you be good enough to examine them and tell me whether they are true and correct copies of originals in your possession and custody? By the way, have you got your own originals here with you of this material?

Mr. MITCHELL. I haven't.

Mr. NEHEMKIS. I suggested to Mr. Dean that you bring them along, but suppose you use my set.

Mr. MITCHELL. I will tell you about that.

Mr. NEHEMKIS. I shall ask you about them.

Mr. MITCHELL. I'll tell you about it. You have got the wrong man.

Mr. NEHEMKIS. These documents just identified by Mr. Mitchell, Mr. Chairman, are offered in evidence.

(The documents referred to were marked "Exhibits Nos. 1658-1 to 1658-4" and are included in the appendix on pp. 11784-11792.)

The CHAIRMAN. The documents have been received.

MR. LEIB'S RECORD OF RECIPROCAL OBLIGATIONS

Mr. NEHEMKIS. I think you had better follow them rather closely on that set.

Mr. MITCHELL. All right. May I say a word about what these documents are?

Mr. NEHEMKIS. I would rather you let me give you questions and if at the end of the question period you want to make a statement I am sure the committee will be delighted to have you do so.

Mr. MITCHELL. All right.

Mr. NEHEMKIS. Will you take out the document entitled "Morgan Stanley & Co."? Do you have that before you, sir?

Mr. MITCHELL. Yes.

Mr. NEHEMKIS. The first account listed on this sheet is the New York and Queens Electric Light & Power first issue of \$25,000,000.¹ It is indicated on that sheet that your participation was 16 percent. Is this the customary percentage allocation on this account, Mr. Mitchell?

Mr. MITCHELL. I couldn't answer that.

Mr. NEHEMKIS. The next item is the Ohio Edison Co. first and consolidated mortgage, 4 percent series, due November 1, 1965, and then there appears an asterisk: "*Buying Group—\$1,000,000 (2¼%)" and on the right-hand side, \$10,000, and then the explanation for the asterisk—are you following me, Mr. Mitchell?

Mr. MITCHELL. Yes; I am.

Mr. NEHEMKIS. This reciprocal obligation is divided equally with Bonbright & Co. (\$1,000,000—2¼ percent—\$10,000 each).

Now, I notice that on the right-hand side you have credited Morgan Stanley with \$10,000.

Mr. MITCHELL. I really feel under the necessity, Senator O'Mahoney, of explaining these sheets because I am going to be a bad witness on them. If you will just give me the opportunity of doing it I would appreciate it.

The CHAIRMAN. I see no objection.

Mr. MITCHELL. These are not what I construe in any sense as company records. Mr. Leib keeps in his own file as made up by his own stenographer and for his own purpose a record of reciprocal business, business given to us by firms and what we give them and what the profits may be. I will promise you that I haven't seen that book more than three times—it is always available for me if I want to see it—I haven't seen that book three times since I went with the firm.

The CHAIRMAN. What is the book?

Mr. MITCHELL. And I am not interested in it.

The CHAIRMAN. What is the book?

¹ See "Exhibit No. 1659-1," appendix, p. 11784.

Mr. MITCHELL. It is a book that he keeps for his own memorandum. The figures are not company figures. They are figures that are drawn off by his stenographer onto these sheets and are currently made up, giving a general idea of the business that comes to us from certain firms on the Street and what that figures in dollars and cents and the business that we give to those same firms and what that figures in dollars and cents.

The CHAIRMAN. Though they may not be company records, do I understand that they correctly reflect situations that are described?

Mr. MITCHELL. I don't know whether they do, and they certainly are not in any sense checked either as to their completeness or as to the figures by our accounting division. They are purely memoranda. When I said you have got the wrong man in this—these are Mr. Leib's figures. I wouldn't and couldn't testify as to the accuracy of them, and, as I said to you this morning, in developing syndicates, reciprocal relations are to me the last item to look for.

The CHAIRMAN. He is a reliable associate?

Mr. MITCHELL. Oh, I'll say he is.

The CHAIRMAN. You would depend on his memoranda, wouldn't you?

Mr. MITCHELL. Yes; but I laugh at him in keeping this book.

Mr. HENDERSON. I am interested in this, Mr. Mitchell. We had another book yesterday. What is the color of this book?

Mr. MITCHELL. I have seen it so seldom that I couldn't tell you what the color of it is. Blue, black, white, yellow, or red, it's no good! [Laughter.] He thinks it's good, but I don't.

Mr. HENDERSON. But doesn't it have a value in this matter of reciprocal obligation which you put way out here on the items to be considered?

Mr. MITCHELL. Yes. Three times in the last 3 years I have thought it had enough value to look at it with some particular account.

Mr. HENDERSON. You wanted to see how much business you had gotten from a firm and to see what your reciprocal obligation was?

Mr. MITCHELL. Yes. I never, with a firm like Morgan or accounts that are shown here, would pay any attention to the book on that score. In the first place, it isn't an accurate book, it can't be; it is just a memorandum made up by his stenographer.

Mr. HENDERSON. Do you mean that she determines the entries?

Mr. MITCHELL. Yes.

Mr. HENDERSON. Here is an item that says [reading from "Exhibit No. 1658-1"]:

Mr. Willkie told Mr. Hoover he suggested our name in Ohio Edison.

Does the stenographer make that up?

Mr. MITCHELL. Mr. Leib undoubtedly told his stenographer just to make a note of that.

Mr. HENDERSON. You mean he dictated it, in other words?

Mr. MITCHELL. He must have.

Mr. HENDERSON. What I was getting at is that it isn't something a stenographer does and makes determinations about.

Mr. MITCHELL. You are quite right.

Mr. HENDERSON. Let me ask you another question. Evidently you are somewhat familiar with these data. How closely does the actuality follow these notations?

Mr. MITCHELL. I haven't been over the book to be able to tell you that at all. I would guess that that book must be filled with inaccuracies, but for the general purposes, the general picture it gives, it is of value to Mr. Leib. But you have got the wrong fellow, as I say.

Mr. NEHEMKIS. Mr. Commisisoner, may I interject a comment at this point? This material is not being offered for its accuracy. Mr. Mitchell identified for us this morning and at a later time we will give you the accurate figures for participations of Mr. Mitchell's firm and all other firms on the street. This documentation is being offered because it illustrates an important and vital practice in the investment banking business, and I am not interested in examining Mr. Mitchell on the accuracy of these figures. I want Mr. Mitchell's aid in helping us understand what this custom of reciprocity is. Now I was very much interested to note that Mr. Woods, who appeared before us yesterday, likewise said that the entries of the two "little black books" of the First Boston Corporation were made by a secretary.

Mr. HENDERSON. Mr. Nehemkis, in view of accuracy I think you ought to say, "little black books which were kept by the secretary to Mr. Addinsell." Mr. Woods' testimony, as I recall, was distinctly, as is Mr. Mitchell's, that it was not a part of the company records.

Mr. NEHEMKIS. My associate calls my attention to a statement—

I subsequently discovered that most of the entries are all made by Mr. Addinsell's secretary, and I wouldn't even hazard a guess as to the authorship of most of those comments.

The committee has been examining into a number of industries and it is of interest, I should think, to know whether anything as vital as this can be entrusted to a secretary.

Mr. HENDERSON. You are introducing these, as I understand it, not to get at the practice of keeping books—whether they are kept by a partner or a secretary—but to get at the thing Mr. Mitchell has referred to, that is, reciprocal obligation?

Mr. NEHEMKIS. Correct, sir.

I notice, if you will refer to the sheet we have before us, Mr. Mitchell, that you have credited Morgan Stanley with \$1,000,000. Was this your entire participation, do you recall?

Mr. MITCHELL. I would say so, yes; that was in the buying group, that is, a syndicate.

Mr. NEHEMKIS. May I correct my statement? There has been credited to Morgan Stanley \$10,000.

Mr. MITCHELL. No, this shows a profit here of \$10,000 which is, of course, gross, and it indicates that we made a gross of \$20,000 on that participation and in Mr. Leib's book he has indicated that half of it on a reciprocal basis should be credited to Morgan Stanley and half of it to Bonbright & Co.

The CHAIRMAN. What is this reciprocal arrangement?

Mr. MITCHELL. There is no reciprocal arrangement at all. This is the sort of thing that is really of interest. Let us say that a firm on the Street—to make the case clearer, if it is a firm that we rarely have relations with—comes to us and says, "We think that you ought to give us larger interests in your business, your syndicate; we find that we have given you syndicate participations that

carry a gross of \$20,000, and we find that you have given us business that has given us a gross of 5. We think you owe us larger participations." In other words, they think that on a reciprocal basis we should treat them more liberally.

HOW RECIPROCITY WORKS IN PRACTICE—SIGNIFICANCE OF RECIPROCITY

The CHAIRMAN. Well, that might mean that if the investment house "A" were disposing of a particular issue, it would bring investment house "B" into participation in the distribution of that issue, and in reciprocity for that grant, when investment house "B" was bringing out an issue, it would accord the same privilege to investment house "A." Now, that is one type of reciprocity, isn't it?

Mr. MITCHELL. Yes.

The CHAIRMAN. Is that what is represented here?

Mr. MITCHELL. Your theory is all right, but if you were to study his sheets, which I haven't done—

The CHAIRMAN (interposing). Neither have I. They have come to my attention now for the first time.

Mr. MITCHELL. I think I can cite a number of cases where we have given a great deal more than we have received and other cases where we have received a great deal more than we have given.

The CHAIRMAN. The question that is in my mind now is with respect to this first item on this sheet, whether or not your company handled this entire distribution of the amount allotted to you and allowed Morgan Stanley to participate in the profits that you had made?

Mr. MITCHELL. Oh, no.

The CHAIRMAN. That is not what is meant by this?

Mr. MITCHELL. Oh, no, indeed.

The CHAIRMAN. I wanted to be quite clear about that. That \$10,000, then, that goes to Morgan Stanley and the \$10,000 that goes to Bonbright & Co. represents what?

Mr. MITCHELL. That is a cuff memorandum; that is what I consider it to be, a cuff memorandum, showing that here is a house that has shown us consideration by giving us a participation here that has shown a gross profit of so much.

Now, let me try to make it clearer. Bonbright & Company are essentially a public utility house. They have a certain number of utility issues. We have a great deal larger, perhaps, volume of industrial and other issues. Bonbright isn't a house that we would ordinarily think of in connection with some industrial issue. We wouldn't think of them as wanting to participate as underwriters and distributors in that, because it is a little out of their line. But we would look at the situation and we would say, "They have given us participations in their syndicates that have run to pretty large figures."

Now, when we have got some situation like that Pacific Gas & Electric, may we say, where their name and their distributing power clearly justify a strong position for Bonbright & Co. in the P. G. & E. syndicate, and we are inclined to say, "Well, in dividing this up they might be entitled to \$5,000,000," and Mr. Leib would come in and say to me, "All right, we have gotten a great deal from them;

can't we make that \$6,000,000?" And his background for that statement would be his cuff memorandum, which is this.

Mr. NEHEMKIS. These sheets?

Mr. MITCHELL. Yes.

Mr. HENDERSON. Would you recognize that as an obligation which you speak of as a reciprocal obligation?

Mr. MITCHELL. Absolutely not.

Mr. ARNOLD. But they would do the same thing for you under similar circumstances, wouldn't they?

Mr. MITCHELL. I think they would.

Mr. ARNOLD. And therefore this policy of reciprocity might well have been one of the things which they were worrying about when they spoke of the charge of monopoly which might be made against them?

Mr. MITCHELL. No; I don't see how they could possibly have had that particular thing in mind.

Mr. ARNOLD. You can conceive how a suspicious-minded person might think that reciprocal obligations built up in this way, in little books which were cuff memorandums, indicated that a monopoly practice was going on.

Mr. MITCHELL. I would hardly say that with respect to Morgan Stanley & Co., because Morgan Stanley & Co. are the issuing syndicate house and they very, very rarely participate in the issues of others, and never to my knowledge except in a silent position, and we have asked them to participate in only one of our issues, and that was the large issue of the Pacific Gas & Electric which was \$90,000,000, and we wanted to take off the overload on that particular issue in syndication, and invited in that particular case Morgan Stanley, Kuhn, Loeb and Dillon to participate, but that is the only thing—if they kept a cuff book, that is the only thing they would find we had ever done for them that yielded them a profit.

The CHAIRMAN. I am trying to get this memorandum through my head.

Let me call your attention to the item on the first page under the date of March 19, 1936,¹ "\$55,830,000 Consumers Power Co. 3½ percent first mortgage. In parentheses a little bit below I find this statement:

"(We had a total interest of \$1,000,000 divided between Morgan Stanley and Bonbright.)"

What does that mean to you?

Mr. MITCHELL. That would mean to me that Morgan Stanley and Bonbright were the joint managers of an account of the Consumers Power Co. and that any offering to us by those joint names would be recorded by Mr. Leib in his cuff book as half the gross profit on that business, credit for it going to Morgan and half going to Bonbright.

The CHAIRMAN. In other words, Stanley and Bonbright were the original managers of this issue?

Mr. MITCHELL. Consumers Power issue; yes.

The CHAIRMAN. And they were entitled, therefore, to a 50-50 participation in the profit that you had?

¹ "Exhibit No. 1658-1."

Mr. MITCHELL. No; there is no profit. This is merely a memorandum of what we might in a tangible way owe to them on future business.

The CHAIRMAN. All right.

Now, you had a total interest of one million out of the fifty-five million-odd dollar issue?

Mr. MITCHELL. Yes.

The CHAIRMAN. And you received 50 percent of that from Morgan Stanley and 50 percent from Bonbright. Is that the idea?

Mr. MITCHELL. No. I am trying to make it clear to you, Senator, because I can see that this confuses you. This is a million dollar participation given to us by the joint managers. When they come to us—

The CHAIRMAN (interposing). In other words, you had one million dollars of these securities to distribute?

Mr. MITCHELL. Yes, sir. Morgan Stanley would say, "On behalf of ourselves and Bonbright & Co., we want to offer you a participation of \$1,000,000 in this \$55,000,000 underwriting." Now, that is offered on behalf of both of them. When the job is done we look at it and we say, "Here is a gross profit resulting from this transaction of \$20,000." Now, if we are making up a reciprocal memorandum, we will say that we want to show how much profit has come from business given to us by Bonbright, and we would say, "There was \$10,000 that came from profit on one of their accounts," and we would say, "There is \$10,000 that came to us from Morgan Stanley & Co.," and that would be noted on Mr. Leib's cuff book, and that is what—

The CHAIRMAN (interposing). In the hope that some time later on he would induce you or the company to make a reciprocal arrangement with these companies in something like these proportions?

Mr. MITCHELL. No; but Morgan Stanley & Co. never would because the balance is never except on one side; in other words, there is all give and practically no take.

Mr. NEHEMKIS. You can't ever hope really to reciprocate to Morgan Stanley?

Mr. MITCHELL. No; oh, no. They are not in our line of business.

Mr. NEHEMKIS. And that results from the fact that they have so many high-grade originations which nobody else can touch that the great run of houses simply can't on their cuff books put down, as Mr. Leib did here, anything that could possibly reciprocate to them?

Mr. MITCHELL. It is not quite that. I am sorry to be getting into the intricacies of this so far.

Mr. NEHEMKIS. That is what the committee wants you to do, I am sure, Mr. Mitchell.

Mr. MITCHELL. When we have a syndicate to make up, our syndicates are not made up on the basis of what we would call underwriters; in other words, people who merely do underwriting and no distributing. Our syndicates are made up almost entirely of distributors, people who underwrite and distribute. It is only in such cases as the Pacific Gas & Electric where the issue is very large and our group of underwriters—we don't want to extend for one reason or another or enlarge their participations too heavily, and in that case we bring in, knowing that we will have a very broad selling syndicate to take up any bonds that come from their underwritings—we put them in merely to take the overweight off that group, but we

have very little of that to give. Our business is with underwriters who are distributors.

Mr. NEHEMKIS. I think I understand.

May I ask you, Mr. Mitchell, to turn to the Kuhn, Loeb "cuff sheets" and look at page 3, if you will. You will find there the third entry [reading from "Exhibit No. 1658-2"]:

November 10, 1936, \$25,000,000 Republic Steel Corp. Gen. Mtge. 4½% series C, Due November 1, 1956. Buying Group=\$375,000 (1½%).

That means your interest in the buying group. On the right side [reading further]: "\$4,219." Then an asterisk, and now I read to you the asterisk [reading further]:

(Our full participation was \$750,000 and the profit \$8,438 divided 50-50 between Kuhn Loeb and Field Glore. Same method applies to our percentage of 3% in the deal.)

Now, if I correctly understand the testimony which you have given to the committee during the past few minutes, Mr. Leib's entry means the following: You got a participation of \$750,000 in the Republic Steel issue; you got half of that from Kuhn, Loeb and the other half from Field, Glore. Therefore, this being the cuff sheet under the heading "Kuhn, Loeb & Company," Mr. Leib recorded that your reciprocal obligation to Kuhn, Loeb was in the amount of \$4,219. On the other sheets which we do not have but which would be headed "Field, Glore" there should be a corresponding similar entry?

Mr. MITCHELL. That is correct.

Mr. NEHEMKIS. Now, it is hoped in your business that when the next origination comes around, all things being equal, you hope that you will be in a position to extend a courtesy to these two houses which have extended this courtesy to you. Correct?

Mr. MITCHELL. At some time or another where the balance is even as to the desirability of having them come into account as a tail-end thought, as explained this morning, we might give this consideration.

(Mr. Henderson took the chair.)

Mr. NEHEMKIS. Just glance down the same sheet, page 3, if you will, and follow with me on the second entry under the year 1937 [reading from "Exhibit No. 1658-2"]:

February 16, 1937. 500,000 shs. Tide Water Associated Oil Co., \$4.50 cum. pfd * * * Buying group—3,167 shares.

Then the parentheses and your percentage participation over on the right, gross \$26,625. Asterisk, and follow with me, if you will, on the asterisk notation:

Our position was completely dictated by the management, therefore no reciprocal credit is due.

If I understand your testimony correctly that means that your position in that syndicate was due to the fact that the management, Tide Water itself, requested of the syndicate manager that "I want Blyth & Co. included." Therefore Mr. Leib noted: "I am under no reciprocal obligation to K. L.," and accordingly he has not entered any dollar amount on the right-hand side where he normally does. Do I understand that?

Mr. MITCHELL. That is completely correct.

Mr. NEHEMKIS. Fine, then let me ask you a few more questions on this problem and I think I won't have to burden you any further.

As a result of this system of reciprocity which exists between investment banking firms, does not each firm have in effect a proprietary interest in the business of the other?

Mr. MITCHELL. I would like to have our expert on words help me with what "proprietary" means.

Mr. NEHEMKIS. Well, I will put it to you differently. Perhaps this will aid you in following my thought. As a result of this reciprocal obligation arrangement which exists between investment banking firms, these firms are in effect partners in a community business, aren't they?

Mr. MITCHELL. Oh, no; oh, no!

Mr. NEHEMKIS. Let me ask you another question to see if this doesn't help clarify the thought. These various firms possessing claims upon other bankers for past favors and the ability to confer favors in the future, there is no compelling reason to compete among each other, is there? In other words, once you are in a group, as you testified earlier, you have got a fixed position, so there is no reason why you should want to compete against any other house?

Mr. MITCHELL. Oh, yes, there is; there is a reason for us to compete wherever competition is possible and we do so compete.

Mr. ARNOLD. May I ask a question with relation to the letter of August 10 where you write that Harold Stanley is concerned about a possible charge of monopoly.¹ Wasn't it these reciprocal obligations that laid the basis for that fear?

Mr. MITCHELL. I wouldn't say so at all. We had no reciprocal—

Mr. ARNOLD (interposing). Your reciprocal obligations in the business.

Mr. MITCHELL. No, I wouldn't think so at all. I wouldn't think that that had even entered into it.

Mr. ARNOLD. These reciprocal obligations, you testified, were the tail-end thought in distributing this business?

Mr. MITCHELL. That is right.

RECIPROCAL OBLIGATIONS AS "COMBINATIONS IN RESTRAINT OF TRADE"

Mr. ARNOLD. Had they been the front-end thought, there would have been a combination in restraint of trade, wouldn't there?

Mr. MITCHELL. I should think so.

Mr. ARNOLD. So that the sole question arising as to whether there is a monopoly here or not is the difference between a tail-end thought and a front-end thought?

Mr. MITCHELL. I would think there is a very great difference.

Mr. ARNOLD. But that would reside only in the mind of the fellow that was thinking, wouldn't it?

Mr. MITCHELL. I would think that Street practice would be unanimous in the thought to the contrary.

Mr. ARNOLD. I should imagine all the testimony would be to that effect.

Now, suppose that this tail-end thought so worked out that its results were identical to the results which would have occurred had it been the front-end thought. In such a case the sole distinction as to whether there was monopoly or not would be the subjective

¹ See "Exhibit No. 1657," supra, p. 11594.

frame of mind of the people who went into the arrangement, wouldn't it?

Mr. MITCHELL. Yes, but may I just say this, Mr. Arnold. To an increasing degree the issuer is determining who shall participate in these accounts. I need only to refer to one account that constitutes perhaps as large, if not the largest, financing of last year which was the Commonwealth Edison of Chicago. I have reason to believe, and sound reason, I think, that the names in that account and the amounts for the various underwriters were determined solely by the issuer and that Mr. Simpson, the head of Commonwealth Edison, handed to the manager of the account that list of names and that settled it. Now there are other cases of that sort, and many of them, that are coming up constantly. It isn't the idea, but the trend, taking it right on your basis, is very far away from monopolistic tendency.

Mr. ARNOLD. I don't know what the evidence shows as to how these reciprocal obligations have worked out here, but nevertheless, if they did work out so that the cuff books and the total results at the end of the year were substantially identical there would be some real evidence of monopoly practice, wouldn't there?

Mr. MITCHELL. I agree with you if it were possible for all these firms to interchange business and when you came to the end of the year what they had given and taken in even amounts you would have the equivalent of one group which would constitute a monopoly, but that is very far from what the situation actually is.

Acting Chairman HENDERSON. You say it is tending away from that. Perhaps it has been more nearly like monopoly in the past. Is that your thought?

Mr. MITCHELL. Let me say this. Now, I have been through these days when we had bank affiliates and had the largest one of those under my supervision, and let me directly say this to Mr. Arnold, too. If we had gone along with the bank affiliate—I didn't think this at the time but I know it now—if we had gone along with the development of the bank affiliate in investment banking we would have worked quite completely to a monopoly in this investment banking business. Now, the great change for the benefit of the country and for the benefit of investors has in my opinion been that which at the time I regarded as a great disaster, the breaking off of the investment banking affiliate. Today I regard it as one of the great steps of progress that has been made.

Acting Chairman HENDERSON. Take this thought that you recorded in a letter to your partner, that there were too many houses, that there ought to be, to paraphrase, a fewer number of bigger ones; that is what the Corner thought. Suppose we had a smaller number of more powerful firms. Would the possibility of monopoly exist in the same way, as you now describe it, that it was tending toward in the day of the old banking affiliate?

Mr. MITCHELL. I wouldn't say that it was parallel. To give that that answer I have got to draw a little picture for you. The underwriting managements would be very glad indeed to take in small firms, but you have got several things which block you. One is capital. Another is a separation of the functions of the few people that may be in a small concern where you would expect there to be an expert who would be capable of giving that firm the requirements un-

der the due diligence provision. It is just weakening underwritings when you get in very small firms, small firms of capital or small organizations. They really are not fitted for the job of underwriting, and with due respect to some of these long underwritings—I referred to this underwriting of Morgan Stanley where they had, I think, what was it, 97 names—I haven't examined that but I know that personally I could pick out certain names, the propriety of which in an underwriting syndicate I would challenge on very sound grounds.

I am not speaking for Mr. Stanley who made that remark to me, but I can tell you that there is an advantage in having more houses with more capital; in other words, not having to run down so quickly as we do now to houses with very small capital.

(Senator O'Mahoney resumed the chair.)

Mr. NEHEMKIS. I have no further questions.

The CHAIRMAN. Do the members of the committee desire to ask Mr. Mitchell any questions? Then you have finished with this witness?

Mr. NEHEMKIS. I have, sir.

The CHAIRMAN. Mr. Mitchell, on behalf of the committee, let me thank you for your very prompt response to the many inquiries and your patience under this continued barrage. We are very much indebted to you. We have all participated, of course, in the barrage.

Mr. MITCHELL. Thank you very much, sir.

(The witness, Mr. Mitchell, was excused.)

The CHAIRMAN. Do you have another witness?

Mr. NEHEMKIS. No, sir.

The CHAIRMAN. Mr. Henderson will make a statement with respect to the hearing tomorrow.

Mr. HENDERSON. Tomorrow the matter under consideration will be the financing of American Telephone & Telegraph Co. and the witnesses will be Dr. N. R. Danielian, author of "A. T. & T.: The Story of Industrial Conquest," Director of Research, Senate Civil Liberties Committee; Mr. George Whitney, J. P. Morgan & Co.; Mr. John R. Chapin, Kidder, Peabody & Co.; Mr. Albert H. Gordon, Kidder, Peabody & Co.; Mr. H. L. Stuart, Halsey, Stuart & Co., Inc.; Mr. Harold Stanley, of Morgan Stanley & Co.

I may say it is the desire of the S. E. C. to finish by 3 o'clock in order that a number of people may be free to attend the financial writers' dinner tomorrow evening in New York.

Mr. NEHEMKIS. To that end, Mr. Chairman, would it be the pleasure of the Committee if we started our proceedings at 10 o'clock?

The CHAIRMAN. That is quite agreeable to the chairman. If there is no objection, when the Committee adjourns it will adjourn until 10 o'clock in the morning.

Mr. NEHEMKIS. I think someone raises a question here. We had better make it at 10:30. Apparently there are some mechanical arrangements on mimeographing that might interfere.

(Discussion off the record.)

The CHAIRMAN. The suggestion is withdrawn.

Mr. HENDERSON. We are agreed on 10 o'clock.

The CHAIRMAN. The Committee will now stand in recess until 10 o'clock tomorrow morning.

(Whereupon, at 4:25 p. m., the meeting recessed until 10 a. m. the following day, Friday, December 15, 1939.)

APPENDIX

EXHIBIT No. 1526 introduced on p. 11388, is on file with the committee

EXHIBIT No. 1527

Officers and directors of *Brown Harriman & Co., Inc., June 21, 1935*

[Prepared by the staff of the Investment Banking Section, Monopoly Study, Securities and Exchange Commission]

Officers and/or Directors	Present Position	Previous Connection	Previous Position
Joseph Pierce Ripley.....	President and Director.....	National City Company.....	Vice President.
Ralph Thompson Crane.....	Vice President and Director.....	The City Company of N. Y., Inc.....	Exec. Vice President and Director.
Pierpont van Derveer Davis.....	Vice President and Director.....	Brown Bros. & Co.....	Partner.
Hendrik Robert Jolles.....	Vice President and Director.....	National City Company.....	Partner.
Horace Clapp Sylvester, Jr.....	Vice President and Director.....	The City Company of N. Y., Inc.....	Vice President and Director.
Laurence Gotzian Tighe.....	Vice President and Director.....	The City Company of N. Y., Inc.....	Vice President and Director.
Charles Stedman Garland.....	Vice President and Director.....	The City Company of N. Y., Inc.....	Asst. Vice Pres. and Vice Pres.
Sidney Lester Castle.....	Resident Vice President.....	Brown Bros. & Co.....	Vice President.
Henry Mana.....	Resident Vice President.....	Brown Bros. Harriman & Co.....	Sales Manager and Partner.
Harry Frederick Mayer.....	Secy., Compt., and Asst. Treasurer.....	Brown Bros. & Co.....	Partner.
Wilket Crosby Roper.....	Treasurer and Asst. Secretary.....	Brown Bros. Harriman & Co.....	Partner.
Reginald Martine.....	Asst. Treasurer.....	Lane Rolosen & Co.....	Vice President.
William Richard Eppel.....	Asst. Treasurer.....	National City Company.....	Asst. Vice President.
		The City Company of N. Y., Inc.....	Asst. Vice President.
		National City Company.....	Asst. and Resident Vice President.
		The City Company of N. Y., Inc.....	Asst. and Resident Vice President.
		The National City Company.....	Compt., Secy., and Vice President.
		The City Company of N. Y., Inc.....	Compt., Secy., and Vice President.
		Brown Bros. & Co.....	Partner.
		Brown Bros. Harriman & Co.....	Partner.
		Brown Bros. & Co.....	Not reported.
		Brown Bros. Harriman & Co.....	Employee.
		National City Company.....	Employee.
		The City Company of N. Y., Inc.....	Employee.

Source: Registration Statement for Broker or Dealer Transacting Business on the Over-the-Counter Markets on file with the Securities and Exchange Commission.

EXHIBIT No. 1528

[From the files of the National City Bank of New York]

THE NATIONAL CITY BANK OF NEW YORK,
New York, June 4, 1934.*To the Shareholders:*

The Banking Act of 1933 passed last June required divorcement of commercial banking from investment banking within the period of a year. I have felt that The National City Bank of New York should support the policy of Congress in both letter and spirit. In the year past we have been endeavoring to find a way fully to meet this policy and at the same time to preserve any good-will value there might be in the business of The City Company of New York, Inc., formerly The National City Company.

Good-will is a nebulous thing. In so far as it is attached to the name of the City Company it cannot be realized on, because the continued use of the name would identify the user with the Bank and that cannot be permitted without control by the Bank, which is forbidden by law. In so far as it may be represented by personnel trained in the investment banking business, such personnel consists of free individuals whom the City Company is not in a position to deliver to a prospective purchaser.

The ownership of the control of an investment banking company by the shareholders of the Bank would be unlawful, whether such ownership came from the distribution of the stock of the City Company, or from the purchase of the business of the City Company.

The organization of a new investment banking concern as successor to the City Company and in which the shareholders of the Bank would be offered less than a controlling interest, would involve, in the first place, a recommendation by the Bank to its shareholders to place new capital, or to leave a substantial amount of the old capital, at the risk of the future of the securities business, and, in the second place, the sponsorship by the Bank of the new investment banking concern without power on the part of the Bank to control its policies. Your Directors after mature consideration have been unwilling to place the Bank back of such a plan. I personally believe that in future the Bank should be free from any connection, either directly or in any other way which might be taken by the public to indicate a relationship, with any investment banking house. I think the Bank should keep itself free to do legitimate business with any responsible house on equal terms with any other.

The City Company will accordingly discontinue the securities business immediately, and will proceed to wind up its affairs. This will take time, as it will be necessary to liquidate slow assets and dispose of pending claims.

When the Trust Agreement relating to the stock of the City Company was recently amended, by the written consent of the Trustees and of the holders of upwards of 75% in amount of the common stock of the Bank, among the additional powers vested in the Trustees was the power to place the Company in voluntary dissolution and to transfer and deliver the stock of the Company to the Bank, thereby terminating the trust. These steps have been taken, and, in connection with the discontinuance of the securities business, they bring the relationship between the Bank and the Company into conformity with the Banking Act of 1933. The Federal Reserve Board has so ruled, under Section 20 of the Act, the so-called "divorce" section. The program has also been submitted to the Comptroller of the Currency and approved by him. The capital of the City Company was originally derived from a special dividend paid by the Bank, and it seems appropriate that the money at present invested in the business of the Company be returned into the Bank.

Some of the officers and employees of the City Company will be retained to handle the liquidation of its affairs. A number of the principal officers have resigned and will, I hope, make other connections satisfactory to them. Neither the name, nor the files nor other indicia of the good will of a business, will be sold or given to anyone.

The Bank will continue that part of the business of the City Company which has to do with underwriting and trading in United States Government, state, and municipal securities, as permitted by law.

There will be no successor to the City Company.

Yours very truly,

JAMES H. PERKINS,
Chairman of the Board of Directors.

EXHIBIT No 1529

[Copy]

[From the files of The City Company of New York, Incorporated (in dissolution) formerly The National City Company]

Senior Officers of The City Company of New York, Incorporated (in dissolution) (formerly The National City Company), who were serving January 1, 1935, but have left the service since that date

Name	Position	Duties	Date re-signed	Now with
Mitchell, C. E.	Chairman	Executive	2/27/33	Blyth & Company.
Baker, H. B.	President	Executive	2/27/33	Baker, Weeks & Harden (brokers).
Sylvester, H. C.	Vice Pres.	Govt. (US & Can.) State & Mun. Buying & Selling.	5/31/34	Harriman, Ripley & Co.
Davis, P. V.	Vice Pres.	Railroad Buying.	5/31/34	Harriman, Ripley & Co.
Russell, S. A.	Vice Pres.	Industrial & Public Utility Buying.	5/31/34	Lazard Freres & Company.
Buckley, G. D.	Vice Pres.	Publicity	3/29/33	Deceased.
Schoepferle, V. F.	Vice Pres.	Foreign Sec.	5/31/34	National City Bank of New York.
Ripley, J. P.	Vice Pres.	Industrial & Public Utility Buying.	5/31/34	Harriman, Ripley & Co.
Morrison, W. R.	Vice Pres.	Trading.	5/31/34	East River Savings Bank.
Mayer, H. F.	Vice Pres. & Comptroller.	Operating.	5/31/34	Unknown now—formerly with Harriman, Ripley & Co.
Jolles, H. R.	Vice Pres.	Foreign Sec.	5/31/34	Harriman, Ripley & Co.
Morier, Gordon	Resident V. P.	Executive—London.	5/31/34	Harris, Upham & Co. (Brokers—London).
Mann, Henry	Resident V. P.	Executive—Berlin.	5/31/34	Harriman, Ripley & Co.—Abroad.
Shrewsbury, W.	Resident V. P.	Executive—Foreign (Genl.).	6/13/33	Retired.
Baldwin, S. W.	Treasurer.	Treasury	5/15/34	Retired.
JUNIOR OFFICERS				
Custard, A. A.	Asst. V. P.	Selling (Phila.)	5/31/34	Unknown.
Beebe, H. W.	Asst. V. P.	Selling.	5/31/34	Harriman, Ripley & Co.
Wells, Wm. C.	Asst. V. P.	Selling.	5/31/34	Deceased.
Niller, Wm.	Asst. V. P.	Selling (Wash.)	5/31/34	Harriman, Ripley & Co.
Castle, S. L.	Asst. V. P.	Selling (Chic.)	5/31/34	Lazard Freres & Company.
Smith, P. L.	Asst. V. P.	Pub. Utility Buying.	12/30/33	Public Service Co. of No. Illinois—Chicago.
Scarff, J. G.	Asst. V. P.	Industrial & Pub. Utility Buying.	5/31/34	Harriman, Ripley & Co.
Cross, M. C.	Asst. V. P.	Industrial & Pub. Utility Buying.	5/31/34	Harriman, Ripley & Co.

EXHIBIT No. 1530

BANKING ACT OF 1933

SECTIONS PERTAINING TO THE DIVORCEMENT OF SECURITY AFFILIATES AND THE SEGREGATION OF COMMERCIAL FROM INVESTMENT BANKING.

SEC. 20. After one year from the date of the enactment of this Act, no member bank shall be affiliated in any manner described in section 2 (b) hereof with any corporation, association, business trust, or other similar organization engaged principally in the issue, flotation, underwriting, public sale, or distribution at wholesale or retail or through syndicate participation of stocks, bonds, debentures, notes, or other securities.

For every violation of this section the member bank involved shall be subject to a penalty not exceeding \$1,000 per day for each day during which such violation continues. Such penalty may be assessed by the Federal Reserve Board, in its discretion, and, when so assessed, may be collected by the Federal Reserve Bank by suit or otherwise.

If any such violation shall continue for six calendar months after the member bank shall have been warned by the Federal Reserve Board to discontinue the same, (a) in the case of a national bank, all the rights, privileges, and franchises granted to it under the National Bank Act may be forfeited in the manner prescribed in section 2 of the Federal Reserve Act, as amended (U. S. C.,

title 12, secs. 141, 222-225, 281-286, and 502), or, (b) in the case of a State member bank, all of its rights and privileges of membership in the Federal Reserve System may be forfeited in the manner prescribed in section 9 of the Federal Reserve Act, as amended (U. S. C., title 12, secs. 321-332).

SEC. 21. (a) After the expiration of one year after the date of enactment of this Act it shall be unlawful—

(1) For any person, firm, corporation, association, business trust, or other similar organization, engaged in the business of issuing, underwriting, selling, or distributing, at wholesale or retail, or through syndicate participation, stocks, bonds, debentures, notes, or other securities, to engage at the same time to any extent whatever in the business of receiving deposits subject to check or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor; or

(2) For any person, firm, corporation, association, business trust, or other similar organization, other than a financial institution or private banker subject to examination and regulation under State or Federal law, to engage to any extent whatever in the business of receiving deposits subject to check or to repayment upon presentation of a passbook, certificate of deposit, or other evidence of debt, or upon request of the depositor, unless such person, firm, corporation, association, business trust, or other similar organization shall submit to periodic examination by the Comptroller of the Currency or by the Federal reserve bank of the district and shall make and publish periodic reports of its condition, exhibiting in detail its resources and liabilities, such examination and reports to be made and published at the same times and in the same manner and with like effect and penalties as are now provided by law in respect of national banking associations transacting business in the same locality.

(b) Whoever shall willfully violate any of the provisions of this section shall upon conviction be fined not more than \$5,000 or imprisoned not more than five years, or both, and any officer, director, employee, or agent of any person, firm, corporation, association, business trust, or other similar organization who knowingly participates in any such violation shall be punished by a like fine or imprisonment or both.

SEC. 2. As used in this Act and in any provision of law amended by this Act—

(a) The terms "banks", "national bank", "national banking association", "member bank", "board", "district", and "reserve bank" shall have the meanings assigned to them in section 1 of the Federal Reserve Act, as amended.

(b) Except where otherwise specifically provided, the term "affiliate" shall include any corporation, business trust, association, or other similar organization—

(1) Of which a member bank, directly or indirectly, owns or controls either a majority of the voting shares or more than 50 per centum of the number of shares voted for the election of its directors, trustees, or other persons exercising similar functions at the preceding election, or controls in any manner the election of a majority of its directors, trustees, or other persons exercising similar functions; or

(2) Of which control is held, directly or indirectly, through stock ownership or in any other manner, by the shareholders of a member bank who own or control either a majority of the shares of such bank or more than 50 per centum of the number of shares voted for the election of directors of such bank at the preceding election, or by trustees for the benefit of the shareholders of any such bank; or

(3) Of which a majority of its directors, trustees, or other persons exercising similar functions are directors of any one member bank.

(c) The term "holding company affiliate" shall include any corporation, business trust, association, or other similar organization—

(1) Which owns or controls, directly or indirectly, either a majority of the shares of capital stock of a member bank or more than 50 per centum of the number of shares voted for the election of directors of any one bank at the preceding election, or controls in any manner the election of a majority of the directors of any one bank; or

(2) For the benefit of whose shareholders or members all or substantially all the capital stock of a member bank is held by trustees.

SEC. 18. Section 5139 of the Revised Statutes, as amended (U. S. C., title 12, sec. 52; Supp. VI, title 12, sec. 52), is amended by adding at the end thereof the following new paragraph:

"After one year from the date of the enactment of the Banking Act of 1933, no certificate representing the stock of any such association shall represent the

stock of any other corporation, except a member bank or a corporation existing on the date this paragraph takes effect engaged solely in holding the bank premises of such association, nor shall the ownership, sale or transfer of any certificate representing the stock of any such association be conditioned in any manner whatsoever upon the ownership, sale, or transfer of a certificate representing the stock of any other corporation, except a member bank."

BANKING ACT OF 1933

AMENDMENTS TO CERTAIN SECTIONS OF THE BANKING ACT OF 1933

SEC. 302. The first paragraph of section 20 of the Banking Act of 1933, as amended, is amended by inserting before the period at the end thereof a colon and the following: "Provided, That nothing in this paragraph shall apply to any such organization which shall have been placed in formal liquidation and which shall transact no business except such as may be incidental to the liquidation of its affairs."

SEC. 303. (a) Paragraph (1) of subsection (a) of section 21 of the Banking Act of 1933, as amended, is amended by inserting before the semicolon at the end thereof a colon and the following: "Provided, That the provisions of this paragraph shall not prohibit national banks or State banks or trust companies (whether or not members of the Federal Reserve System) or other financial institutions or private bankers from dealing in, underwriting, purchasing, and selling investment securities to the extent permitted to national banking associations by the provisions of section 5136 of the Revised Statutes, as amended (U. S. C., title 12, sec. 24; Supp. VII, title 12, sec. 24): *Provided further*, That nothing in this paragraph shall be construed as affecting in any way such right as any bank, banking association, savings bank, trust company, or other banking institution, may otherwise possess to sell, without recourse or agreement to repurchase, obligations evidencing loans on real estate."

(b) Paragraph (2) of subsection (a) of such section 21 is amended to read as follows:

"(2) For any person, firm, corporation, association, business trust, or other similar organization to engage, to any extent whatever with others than his or its officers, agents or employees, in the business of receiving deposits subject to check or to repayment upon presentation of a pass book, certificate of deposit, or other evidence of debt, or upon request of the depositor, unless such person, firm, corporation, association, business trust, or other similar organization (A) shall be incorporated under and authorized to engage in such business by, the laws of the United States or of any State, Territory, or District, or (B) shall be permitted by any State, Territory, or District to engage in such business and shall be subjected by the law of such State, Territory or District to examination and regulation, or (C) shall submit to periodic examination by the banking authority of the State, Territory, or District where such business is carried on and shall make and publish periodic reports of its condition, exhibiting in detail its resources and liabilities, such examination and reports to be made and published at the same times and in the same manner and under the same conditions as required by the law of such State, Territory, or District in the case of incorporated banking institutions engaged in such business in the same locality."

EXHIBIT No. 1531

[Prepared by Harriman Ripley & Co., Incorporated. Stock Ownership of Harriman Ripley & Co., Incorporated]

Percent of total voting stock, preferred and common, including voting trust certificates.

W. A. HARRIMAN (Including $\frac{1}{2}$ of undivided interests of three companies)-----	30.59%
E. R. HARRIMAN (Including $\frac{1}{2}$ of undivided interests of three companies)-----	30.59%
4 CHILDREN, each 8.52% (Trust)-----	34.08%
RIPLEY & STAFF (26 persons)-----	4.74%
TOTAL-----	100.00%

EXHIBIT No. 1532

Officers and directors of Harriman Ripley & Co., Inc., November, 1939

(Prepared by the staff of the Investment Banking Section, Monopoly Study, Securities and Exchange Commission)

Officers and/or Directors	Present Position	Previous Connection	Previous Position
Joseph Pierce Ripley.....	President and Director.....	National City Company.....	Vice President.
Pierpont van Derveer Davis.....	Vice President and Director.....	The City Company of N. Y., Inc.....	Exec. Vice President and Director.
Hendrik Robert Jolles.....	Vice President and Director.....	National City Company.....	Vice President and Director.
Horace Clapp Sylvester, Jr.....	Vice President and Director.....	The City Company of N. Y., Inc.....	Vice President and Director.
Willett Crosby Roper.....	Secy., Treas., and Director.....	The City Company of N. Y., Inc.....	Asst. Vice President and Vice President.
Reginald Martine.....	Asst. Secretary and Comptroller.....	The City Company of N. Y., Inc.....	Asst. Vice President.
William Richard Eppel.....	Asst. Secretary and Asst. Treasurer.....	Brown Bros. & Co.....	Partner.
Harry Ward Beebe.....	Vice President.....	Brown Bros. & Co.....	Not Reported.
Milton Clifford Cross.....	Vice President.....	Brown Bros. & Co.....	Employee.
James Gorton Scarff.....	Vice President.....	National City Company.....	Employee.
Robert McLean Steward.....	Vice President.....	The City Company of N. Y., Inc.....	Asst. Vice President.
Elwood D. Smith.....	Vice President.....	National City Company.....	Asst. Vice President.
		The City Company of N. Y., Inc.....	Asst. Vice President.
		National City Company.....	Employee.
		The City Company of N. Y., Inc.....	Employee.
		National City Company.....	Employee.
		The City Company of N. Y., Inc.....	Employee.

Source: Registration Statement for Broker or Dealer Transacting Business on the Over-the-Counter Markets on file with the Securities and Exchange Commission.

"EXHIBIT No. 1533" introduced on p. 11412, is on file with the Committee.

EXHIBIT No. 1534

Originations of bond issues by all houses originating \$20,000,000 or more per annum, 1927-30

[Prepared by the staff of the Investment Banking Section, Monopoly Study, Securities and Exchange Commission]

[Amounts in thousands of dollars]

	Total Bank Affiliates	Commercial Banks and Trust Companies	Private Bankers	Grand Total	National City Co.	Guaranty Co.	Chase Securities Corporation	Total of Three Houses
1927								
Amount Originated.....	754,739	540,711	4,566,574	5,862,074	408,116	167,914	135,896	711,925
Percent of Total Bank Affiliate Originations.....	12.8	9.2	78.0	100.0	54.1	22.2	18.0	94.3
Percent of Grand Total of Originations.....					7.0	2.9	2.3	12.2
1928								
Amount Originated.....	970,236	258,803	2,923,975	4,153,014	465,528	280,482	168,443	914,453
Percent of Total Bank Affiliate Originations.....	23.3	6.2	70.5	100.0	48.0	28.9	17.4	94.3
Percent of Grand Total of Originations.....					11.2	6.8	4.1	22.1
1929								
Amount Originated.....	1,204,398	115,201	1,585,933	2,905,532	360,956	96,735	253,440	711,131
Percent of Total Bank Affiliate Originations.....	41.5	4.0	54.5	100.0	30.0	8.0	21.0	59.0
Percent of Grand Total of Originations.....					12.4	3.3	8.7	24.4
1930								
Amount Originated.....	1,810,264	248,980	2,556,841	4,616,085	227,866	245,995	361,375	835,235
Percent of Total Bank Affiliate Originations.....	39.2	5.4	55.4	100.0	12.6	13.6	20.0	46.2
Percent of Grand Total of Originations.....					4.9	5.3	7.8	18.0

Source: "Operations of the National and Federal Reserve Banking Systems" (Hearings—Pursuant to S. Res. 71, 71st Congress, 3d Session), 1931, p. 299, and the Wall Street Journal, for 1927-30.

EXHIBIT No. 1535

THE NATIONAL CITY BANK,
New York, February 10, 1931.

Mr. JULIAN W. BLOUNT,

Clerk, United States Senate Committee on Banking and Currency,
Washington, D. C.

DEAR MR. BLOUNT: In the course of my hearing before the Senate Committee on Banking and Currency on February 2, Senator Walcott requested me to gather some data regarding the increasing importance in recent years of banking affiliates in the investment banking business, and I agreed to do so. As a result of a study made by our people, I am now able to send for your records the attached sheets.

The first is a record of the past four years of the origination of bond issues by all houses who originated \$20,000,000 or more per annum. From this table it will be noted that banking affiliate originations during this period increased from 12.8 per cent of the total in 1927 to 23.3 per cent in 1928, 41.5 per cent in 1929, and 39.2 per cent in 1930.

The second tabulation shows the volume of issues, in addition to their own originations, participated in by the same group as covered in the first tabulation. Of course, the dollar figures represent the sum total of the issues, and not the participations themselves, and in that particular is misleading. But this does not affect the percentage figures showing to what extent various groups participated generally in distribution. From this tabulation, it will be noted that the participations of banking affiliates increased from 20.6 per cent in 1927 to a high of 54.4 per cent in 1930.

Yours very truly,

C. E. MITCHELL.

Source: "Operations of the National and Federal Reserve Banking Systems" (Hearings, Part II, Pursuant to S. Res. 71, 71st Congress, 3rd Session, 1931, p. 299.

ORIGINATIONS OF BOND ISSUES BY ALL HOUSES ORIGINATING \$20,000,000 OR MORE PER ANNUM

[Amounts in thousands of dollars]

	1927	Per cent of total	1928	Per cent of total	1929	Per cent of total	1930	Per cent of total
National bank affiliates.....	592,075	10.1	649,572	15.6	714,998	24.6	1,279,485	27.6
Other bank affiliates.....	162,714	2.7	320,664	7.7	489,400	16.9	530,779	11.6
Total, bank affiliates.....	754,789	12.8	970,236	23.3	1,204,398	41.5	1,810,264	39.2
Commercial banks and trust companies.....	540,711	9.2	258,603	6.2	115,201	4.0	248,980	5.4
Private bankers.....	4,566,574	78.0	2,923,975	70.5	1,585,933	54.5	2,556,841	55.4
Total.....	5,862,074	100.0	4,153,014	100.0	2,905,532	100.0	4,616,085	100.0

VOLUME OF ISSUES, IN ADDITION TO THEIR OWN ORIGINATIONS, PARTICIPATED IN BY ALL HOUSES ORIGINATING \$20,000,000 OR MORE PER ANNUM

National bank affiliates.....	1,661,037	12.6	908,968	8.9	1,238,306	17.6	4,323,183	33.6
Other bank affiliates.....	1,050,690	8.0	1,174,504	11.5	1,905,859	27.2	2,676,056	20.8
Total, bank affiliates.....	2,711,727	20.6	2,083,472	20.4	3,144,165	44.8	6,979,239	54.4
Commercial banks and trust companies.....	2,131,368	16.2	1,191,380	11.6	440,509	6.3	877,603	6.8
Private bankers.....	8,310,011	63.2	6,956,949	68.0	3,427,000	48.9	4,992,085	38.8
Total.....	13,153,106	100.0	10,231,801	100.0	7,011,674	100.0	12,848,927	100.0

Source: "Operations of the National and Federal Reserve Banking Systems." (Hearings, Part II, Pursuant to S. Res. 71, 71st Congress, 3rd Session), 1931, p. 299.

EXHIBIT 1536

[Letter from W. A. Harriman to Investment Banking Section, Monopoly Study, Securities and Exchange Commission]

WASHINGTON, D. C., December 6, 1939.

PETER R. NEHEMKIS, Jr., Esq.

Securities and Exchange Commission, Washington, D. C.

DEAR MR. NEHEMKIS: In accordance with our conversation this morning I give below the answers to the four questions which you asked me:

(a) *Capital interest of my brother and myself in the private banking firm of Brown Brothers Harriman & Co.* My brother and I have substantially all the paid-in capital of the firm and our capital interests are equal in amount. This situation has not changed materially since 1932.

(b) *Right of capital partners with respect to firm commitments.* Under the articles at present in effect (dating from January 1, 1936) Section 25 provides "No commitment shall be taken as against the objection of any partner having any of the ordinary capital of the firm." The word commitment here refers, of course, to financial commitment.

While the phraseology of the articles in effect in 1934 (dating from January 1, 1932) with respect to firm commitments was different from that in the 1936 articles presently in effect, the result was that either my brother or I, by objecting, could prevent the firm taking a financial commitment.

(c) *Method of admission of new partners.* The 1936 articles, still in effect, provide in Section 26, that "Two-thirds of the partners of the firm may amend, modify, or alter any of the provisions of the partnership articles, upon the condition that any partner who shall consider himself to be adversely affected thereby may, upon written notice given the firm, retire from the firm 30 days after being notified of any such amendment, modification, or alteration, and such amendment, modification, or alteration of the provisions of the partnership articles shall not affect the rights or interests of a partner so retiring, except with his written approval. The introduction of a new partner shall be deemed an amendment for the purposes thereof."

The effect of the corresponding provision in the articles of 1934 was that my brother and I acting together, but neither of us acting alone, had the right to amend, modify, or alter the articles. The introduction of a new partner was deemed an amendment.

While your inquiry did not extend to the termination of membership, I might add that, under the present articles, Section 17 requires the action of two-thirds of the partners to terminate the membership of any partner involuntarily. Prior to 1934, my brother and I, acting with at least two other partners, could have terminated the membership of any partner involuntarily. The effect of the retirement of four partners as the result of the discontinuance of the securities business in June 1934, was to give my brother and me, without any change in this provision of the articles, the right, acting together but not singly, to require the involuntary retirement of any partner. There have been no involuntary retirements.

(d) *Method of determining distribution of profits.* The authority to determine the distribution of profits from time to time is contained in the provision of the articles regarding amendment, modification, or alteration. Hence under the 1936 articles now in effect the distribution of profits is determined by the vote of two-thirds of the partners, each partner being entitled to one vote; and under the articles in effect in 1934, my brother and I, if we acted together, could have established the method of determining the distribution of profits. Neither of us could have accomplished this singly.

As a matter of fact, I can recall no instance in which action was taken on any of the above matters without full discussion and unanimous agreement of all the partners.

I trust that the foregoing meets your needs.

Very truly yours.

W. A. HARRIMAN.

EXHIBIT No. 1538-1

[Letter from Chicago, Milwaukee, St. Paul and Pacific Railroad Company to Investment Banking Section, Monopoly Study, Securities and Exchange Commission]

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

HENRY A. SCANDRETT, WALTER J. CUMMINGS, GEORGE I. HAIGHT, *Trustees*
874 Union Station, Chicago, Illinois

NOVEMBER 15, 1939.

MR. PETER R. NEHEMKIS, Jr.,
Special Counsel, Investment Banking Section,
Monopoly Study, Securities and Exchange Commission,
Washington, D. C.

DEAR MR. NEHEMKIS: I have your letter of November 10th, and enclose copy of my letter to the Senate Committee on Interstate Commerce regarding your use of copies of documents relating to the financing of the Chicago Union Station Company obtained from our files by the Senate Committee.

Yours very truly,

H. A. SCANDRETT.

CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY

HENRY A. SCANDRETT, WALTER J. CUMMINGS, GEORGE I. HAIGHT, *Trustees*
874 Union Station, Chicago, Illinois

NOVEMBER 16, 1939.

SENATE COMMITTEE ON INTERSTATE COMMERCE,
45 Broadway, New York, N. Y.

GENTLEMEN: I enclose copy of letter dated November 10th from Special Counsel Nehemkis of the Investment Banking Section, Monopoly Study, Securities and Exchange Commission, concerning documents relating to the financing of the Chicago Union Station Company obtained from our files by your Committee in the Railroad Finance Investigation.

We are agreeable to your making these documents available to the Securities and Exchange Commission for use in its Investment Banking Study.

Yours very truly,

[Original signed] H. A. SCANDRETT.

EXHIBIT No. 1538-2

[Letter from Kuhn, Loeb & Co. to Investment Banking Section, Monopoly Study, Securities and Exchange Commission]

KUHN, LOEB & Co.,
WILLIAM AND PINE STREETS,
New York, November 13, 1939.

PETER R. NEHEMKIS, Jr., Esq.,
Special Counsel, Monopoly Study, Investment Banking Section,
Securities and Exchange Commission, Washington, D. C.

DEAR SIR: We have your letter of November 10th with regard to copies of documents made by the Senate Committee on Interstate Commerce when its staff examined our files relative to the financing of the Chicago Union Station Company. In accordance with your suggestion, the basis of which we appreciate, we have consented to the Senate Committee's making this data available to you and enclose a copy of our today's letter to that Committee authorizing its so doing.

Faithfully yours,

KUHN, LOEB & Co.

[Copy]

KUHN, LOEB & Co.,
November 13, 1939.

UNITED STATES SENATE COMMITTEE ON INTERSTATE COMMERCE,
45 Broadway, New York, N. Y.

DEAR SIR: We enclose herein copy of a letter dated November 10th from Mr. Peter R. Nehemkis, Jr., Special Counsel of the Monopoly Study of the Securities and Exchange Commission, Washington. We think you will find this letter self-explanatory and this is to advise you that if you are prepared to make available to the Securities and Exchange Commission the copies of such documents as you made when you examined our files in connection with the financing of the Chicago Union Station Company as indicated in Mr. Nehemkis' letter, we hereby consent to your so doing.

Respectfully yours,

[s] KUHN, LOEB & Co.

GC
Enc.

EXHIBIT No. 1538-3

[Copy of letter from The Pennsylvania Railroad Company to Senate Committee on Interstate Commerce]

THE PENNSYLVANIA RAILROAD COMPANY,
November 24, 1939.

SENATE COMMITTEE ON INTERSTATE COMMERCE,
45 Broadway, New York, N. Y.

GENTLEMEN: There is enclosed herewith a copy of a letter of November 10, 1939, from Mr. Peter R. Nehemkis, Jr., Special Counsel, Investment Banking Section, Monopoly Study, of the Securities and Exchange Commission, which is self-explanatory.

You are hereby requested to make available, for the use of the Investment Banking Study of the Temporary National Economic Committee, copies of papers which your Committee obtained from the files of The Pennsylvania Railroad Company relating to the financing of the Chicago Union Station Company.

Very truly yours,

[S] GEO. H. PABST, Jr., *Asst. Vice-President.*

Copy to: Peter R. Nehemkis, Jr., Esq., Special Counsel, Investment Banking Section, Monopoly Study, Securities and Exchange Commission, Washington, D. C.

GEO. S. PABST, Jr.

EXHIBIT No. 1539-1

[Copy]

[Letter from Investment Banking Section, Monopoly Study, Securities and Exchange Commission, to Kuhn, Loeb & Co.]

NOVEMBER 10, 1939.

KUHN LOEB & Co., 52 Williams Street,
New York, N. Y.

GENTLEMEN: The Temporary National Economic Committee, established by Public Resolution 113, Seventy-Fifth Congress, has authorized the Securities and Exchange Commission to undertake certain studies in the field of Investment Banking.

One of the subjects which the Securities and Exchange Commission, pursuant to the above authorization, is inquiring into relates to the financing of the Chicago Union Station Company. It has recently come to our attention that the Railroad Finance Investigation of the Senate Committee on Interstate Commerce has examined your files on this subject and has made copies of material from them. The Investment Banking Study may be concerned with certain transactions already covered in the investigation of the Senate Committee. It has occurred to us that your staff might be relieved of some additional duties and inconvenience if instead of our examining your files on these subjects we

first obtain from the Senate Committee copies of such documents as they have on the matter.

Legal provisions concerning the use of documents in the possession of the various Congressional Committees make it desirable to obtain your consent to have this material made available to us.

If this procedure meets with your approval, will you kindly send a letter to the Senate Committee on Interstate Commerce, 45 Broadway, New York, N. Y., requesting them to make available for the use of the Investment Banking Study of the Temporary National Economic Committee copies of documents which they obtained from your files relating to the financing of the Chicago Union Station Company.

We will appreciate it, in the event of your following this suggestion, if you send us a copy of the letter which you address to the Senate Committee on Interstate Commerce.

Sincerely yours,

PETER R. NEHEMKIS, Jr.,

Special Counsel, Investment Banking Section, Monopoly Study.

SMK:FL

EXHIBIT No. 1539-2

[Letter from Investment Banking Section, Monopoly Study, Securities and Exchange Commission, to The Chicago, Milwaukee, St. Paul and Pacific Railroad Company]

NOVEMBER 10, 1939.

THE CHICAGO, MILWAUKEE, ST. PAUL & PACIFIC RAILROAD CO.,
516 West Jackson Boulevard, Chicago, Ill.

GENTLEMEN: The Temporary National Economic Committee, established by Public Resolution 113, Seventy-Fifth Congress, has authorized the Securities and Exchange Commission to undertake certain studies in the field of Investment Banking.

One of the subjects which the Securities and Exchange Commission, pursuant to the above authorization, is inquiring into relates to the financing of the Chicago Union Station Company. It has recently come to our attention that the Railroad Finance Investigation of the Senate Committee on Interstate Commerce has examined your files on this subject and has made copies of material from them. The Investment Banking Study may be concerned with certain transactions already covered in the investigation of the Senate Committee. It has occurred to us that your staff might be relieved of some additional duties and inconvenience if instead of our examining your files on these subjects we first obtain from the Senate Committee copies of such documents as they have on the matter.

Legal provisions concerning the use of documents in the possession of the various Congressional Committees make it desirable to obtain your consent to have this material made available to us.

If this procedure meets with your approval, will you kindly send a letter to the Senate Committee on Interstate Commerce, 45 Broadway, New York, N. Y., requesting them to make available for the use of the Investment Banking Study of the Temporary National Economic Committee copies of documents which they obtained from your files relating to the financing of the Chicago Union Station Company.

We will appreciate it, in the event of your following this suggestion, if you send us a copy of the letter which you address to the Senate Committee on Interstate Commerce.

Sincerely yours,

PETER R. NEHEMKIS, Jr.,

Special Counsel, Investment Banking Section, Monopoly Study.

SMK:FL

EXHIBIT No. 1539-3

[Letter from Investment Banking Section, Monopoly Study, Securities and Exchange Commission, to The Pennsylvania Railroad Co.]

NOVEMBER 10, 1939.

PENNSYLVANIA RAILROAD CO.,
Broad Street Station Building, Philadelphia, Pa.

GENTLEMEN: The Temporary National Economic Committee, established by Public Resolution 113, Seventy-Fifth Congress, has authorized the Securities and Exchange Commission to undertake certain studies in the field of Investment Banking.

One of the subjects which the Securities and Exchange Commission, pursuant to the above authorization, is inquiring into relates to the financing of the Chicago Union Station Company. It has recently come to our attention that the Railroad Finance Investigation of the Senate Committee on Interstate Commerce has examined your files on this subject and has made copies of material from them. The Investment Banking Study may be concerned with certain transactions already covered in the investigation of the Senate Committee. It has occurred to us that your staff might be relieved of some additional duties and inconvenience if instead of our examining your files on these subjects we first obtain from the Senate Committee copies of such documents as they have on the matter.

Legal provisions concerning the use of documents in the possession of the various Congressional Committees make it desirable to obtain your consent to have this material made available to us.

If this procedure meets with your approval, will you kindly send a letter to the Senate Committee on Interstate Commerce, 45 Broadway, New York, N. Y., requesting them to make available for the use of the Investment Banking Study of the Temporary National Economic Committee copies of documents which they obtained from your files relating to the financing of the Chicago Union Station Company.

We will appreciate it, in the event of your following this suggestion, if you send us a copy of the letter which you address to the Senate Committee on Interstate Commerce.

Sincerely yours,

PETER R. NEHEMKIS, Jr.,
Special Counsel, Investment Banking Section, Monopoly Study.

SMK: FL

EXHIBIT No. 1540

[Copy of original signed letter in Kuhn, Loeb & Co. file 532-1, Chicago Union Station Company]

Boston

Chicago

LEE, HIGGINSON & COMPANY

NEW YORK

HIGGINSON & CO.

LONDON

43 EXCHANGE PLACE.
NEW YORK, January 18, 1915.

BY BEARER

DEAR MR. SCHIFF: With reference to our conversation, I have dug up from our files this telegram from Mr. Lane to our Chicago partner, Mr. Schweppe.

This was the arrangement that I understood Mr. Paul Warburg ratified last Spring as a result of three or four conversations on the matter with me.

Yours very truly,

(Signed) F. L. HIGGINSON, Jr.

FLH—M
Enclosure

Mr. MORTIMER L. SCHIFF,
o/o Messrs. Kuhn, Loeb & Co., 52 William Street, New York City.

[Copy of an original copy of a telegram, unsigned, in Kuhn, Loeb & Co. file 532-1, Chicago Union Station Company]

[Copy]

BOSTON, MASS., May 17, 1912.

Telegram to C. H. SCHWEPPE:

Talked with Kuhn, Loeb & Company yesterday about Chicago Terminals. We came to a tentative agreement as follows:

Kuhn, Loeb & Company syndicate and L. H. & Co. syndicate are to join hands and both try to get the Chicago Terminal business. One half the issue is to be apportioned to Kuhn, Loeb & Co. and their friends; one half to L. H. & Co. and their friends. We are to sell and issue with Kuhn, Loeb & Co. If any buying commission is charged, one half is to come to us and one half to Kuhn, Loeb & Co. We may decide upon a selling commission; in that event Kuhn, Loeb & Co. and friends are to be allowed to sell half the bonds, if they can, and we are to be allowed to sell half if we can. If either Kuhn, Loeb & Co. or L. H. & Co. sell more than their half, then they are to have commission on such amount of bonds as they may sell over and above their half. The London situation was taken up and discussed, but not definitely settled. We stated that we should want to have H. & Co. issue in London. Kuhn, Loeb & Co. said they wanted to have some one of their correspondents also issue over there. We hope to make an arrangement by which H. & Co. and Kuhn, Loeb & Co.'s representatives will issue together. I am to see Warburg of Kuhn, Loeb & Co. next week and arrange further details.

EXHIBIT No. 1541

[Copy of original signed letter in Kuhn, Loeb & Co. file 532-1, Chicago Union Station Company]

Boston

Chicago

LEE, HIGGINSON & COMPANY

NEW YORK

HIGGINSON & Co.

LONDON

43 EXCHANGE PLACE.

New York, January 19, 1915.

MESSRS. KUHN, LOEB & COMPANY,
52 William Street,
New York City.

DEAR SIR: We beg to confirm the conversation today between Mr. Mortimer L. Schiff and Mr. F. L. Higginson, Jr., by which we understand that the groups represented respectively by our two firms shall share equally in the financing of the Chicago Terminal Company.

We should be glad to have you advise us if this is also your understanding.

Very truly yours,

(Signed) LEE HIGGINSON & Co.

FLH-C.

EXHIBIT No. 1542

[Copy of hectograph copy of unsigned letter in Kuhn, Loeb & Co. file 532-1, Chicago Union Station Company]

Stamped "OFFICIAL"
CONFIDENTIAL.

JAN. 20, 1915.

MESSRS. LEE, HIGGINSON & COMPANY,
43 Exchange Place, City.

DEAR SIR: We beg to acknowledge receipt of your favor of yesterday's date in regard to eventual financing of the Chicago Terminal Company, which we have been discussing, and confirm that it is in accordance with our understanding.

We further understand that the Illinois Trust and Savings Bank of Chicago, Messrs J. P. Morgan & Company and the First National Bank of New York are

included in your group, and that The National City Bank and Messrs. Clark, Dodge and Company are to be included in our share.

Yours very truly,

H

EXHIBIT No. 1543

[Copy of original signed memorandum in Kuhn, Loeb & Co. file 532-2, Chicago Union Station Company]

Stamped: OFFICIAL

MEMORANDUM IN REGARD TO CHICAGO UNION STATION FINANCING

FEBRUARY 1ST, 1915.

I have agreed that this business, if it develops, is to be done Joint Account between Lee, Higginson & Co. and ourselves, each having one-half. Lee, Higginson's group includes Morgans, the First National Bank of New York and the Illinois Trust and Savings Bank of Chicago.

In our group are included The National City Bank and Messrs. Clarke, Dodge & Company. I have today agreed with McRoberts that they are to have one-third interest and we two-thirds interest in our share, subject to such allotment on original terms as we may determine to make to Messrs. Clark, Dodge & Company.

(Signed) MORTIMER L. SCHIFF.

S.

"EXHIBIT No. 1544" appears in full in the text on p. 11432

EXHIBIT No. 1545

[From the files of First National Bank of the City of New York. Memorandum from Francis D. Bartow to George F. Baker, Jr.]

[Copy]

JUNE 16, 1915.

MEMORANDUM FOR MR. BAKER, JR., IN RE UNION STATION BONDS

At Mr. Hine's request I attended a meeting at Kuhn, Loeb's office this morning at which were present Messrs. McRoberts, Hanauer, Higginson, Haskell and Bartow. The object was to determine the price at which the new bonds should be bought. These are guaranteed jointly and severally by the Pennsylvania Co., St. Paul, C. B. & Q., Pan-Handle and Pittsburg, Ft. Wayne & Chicago. The Pennsylvania Co. in the lease is guaranteed by the Pennsylvania Railroad. They are to bear $4\frac{1}{2}\%$ interest and mature in 50 years. Mr. Higginson said $95\frac{1}{2}\%$; Mr. McRoberts and Mr. Haskell 96; I said $96\frac{1}{2}\%$. Mr. Kahn and Mr. Hanauer said $97\frac{1}{2}\%$, and surely 97. It was felt that 3 points gross profit should accrue to the Syndicate from the selling price, to be apportioned as follows:

$2\frac{1}{2}\%$ to the purchasers,
 $\frac{1}{4}\%$ for brokerage
 $\frac{1}{4}\%$ for expenses

On this basis it was finally agreed to start the bidding at 93.

At 2 o'clock Mr. Hine attended a meeting at K L's and upon his return told me they had agreed to pay $93\frac{1}{2}\%$, and offer the bonds for re-sale at $96\frac{1}{2}\%$, which is about a 4.65% basis. However, Mr. Holden and his associates decided that they would prefer to get the consent of the Illinois Public Service Commission to a minimum price of 91, and then come back and deal firm with the Group. There was also a question of clearing up some small mortgages which are now a lien upon the property. This will be done before the present bonds can be sold. In their negotiations the Group did not come to the question of discussing prices with Mr. Holden and his associates. They, therefore, do not know of the determination reached to pay as high as $93\frac{1}{2}\%$.

At the meeting in the morning the question was brought up of participants in the business and it was understood that there will be five signatories, made up as follows:

Kuhn, Loeb & Co.
 Lee, Higginson & Co.
 Illinois Trust & Savings Bank, Chicago
 First National Bank, New York
 National City Bank, New York

The issue to be approximately \$25,000,000., to be divided equally between

K L & Co.
 Lee, H. & Co.

K L & Co. will take care of the National City Bank L. H. & Co. will divide \$12,500,000 equally into four parts.

$\frac{1}{4}$ Ill. Trust & Sav. Bk.
 $\frac{1}{4}$ J. P. M. & Co.
 $\frac{1}{4}$ First of New York
 $\frac{1}{4}$ Lee, H & Co.

F. D. B.

"EXHIBIT No. 1546" appears in full in text on p. 11434

EXHIBIT No. 1547-1

[Copy of hectograph copy of unsigned letter in Kuhn, Loeb & Co. file 532-1a, Chicago Union Station Company]

FEBRUARY 9, [191]6.

Confidential.

MESSRS. CLARK, DODGE & Co.,
 51 Wall Street, New York City.

DEAR SIRs: We beg to advise you that we have purchased jointly with the National City Bank, Messrs. Lee, Higginson & Co., the Illinois Trust & Savings Bank and the First National Bank \$30,000,000 Union Station Company First Mortgage $4\frac{1}{2}\%$ Bonds at $97\frac{1}{8}\%$ and accrued interest, and we beg to confirm, on behalf of the National City Bank and ourselves, that you are interested in the one-half of the purchase which the National City Bank and we have jointly to the extent of \$2,000,000 Bonds on original terms, subject to these bonds being included in the syndicate which is to be formed.

Kindly confirm that this is in accordance with your understanding, and believe us,

Yours very truly,

E.

EXHIBIT No. 1547-2

[Copy of original signed letter in Kuhn, Loeb & Co. file 532-12, Chicago Union Station Company]

Stamped: OFFICIAL

CLARK, DODGE & Co.

51 WALL STREET

MESSRS. KUHN, LOEB & Co.,
 New York, N. Y.

NEW YORK, February 9, 1916.

DEAR SIRs: We are in receipt of your letter of February 9th, advising us that you have purchased jointly with the National City Bank, Messrs. Lee, Higginson & Co., Illinois Trust & Savings Bank and First National Bank:

\$30,000,000 UNION STATION COMPANY

First Mortgage $4\frac{1}{2}\%$ Bonds at $97\frac{1}{8}\%$ and accrued interest,

and that jointly on behalf of yourselves and the National City Bank, you have ceded to us an interest to the extent of \$2,000,000 Bonds, on the original

terms, subject to these Bonds being included in the Syndicate which is to be formed.

We hereby confirm that the above is in accordance with our understanding. Thanking you for the same, we are,

Very truly yours,

(Signed) CLARK, DODGE & Co.

D. G. G/M
(In pencil) F.

EXHIBIT No. 1548

CHICAGO UNION STATION COMPANY

\$30,000,000 First Mortgage Bonds, 4½%, Series A, Dated January 1, 1916, due July 1, 1963, and Offered February, 1916

Kuhn, Loeb & Co., \$15,000,000 (50%) :		
Kuhn, Loeb & Co.-----	\$8,666,667	(28.88%)
National City Bank-----	\$4,333,333	(14.44%)
Clark Dodge & Co.-----	\$2,000,000	(6.67%)
Lee Higginson & Co., \$15,000,000 (50%) :		
Lee Higginson & Co.-----	\$4,000,000	(13.33%)
First National Bank-----	\$4,000,000	(13.33%)
J. P. Morgan & Co.-----	\$4,000,000	(13.33%)
Illinois Trust & Savings Bank-----	\$3,000,000	(10.00%)
	<hr/>	
	\$30,000,000	(100.00%)

Compiled by the Staff of the Investment Banking Section, Monopoly Study, Securities and Exchange Commission, from ledger transcripts, memoranda and correspondence of the several companies.

EXHIBIT No. 1549-1

[Copy of original signed letter in Kuhn, Loeb & Co. file 822, Chicago Union Station Company]

Stamped: OFFICIAL

CHICAGO UNION STATION COMPANY,
Chicago, April 27, 1920.
(In pencil) G

MESSRS., KUHN, LOEB & Co., *New York*,
MESSRS. LEE, HIGGINSON & Co., *New York*,
ILLINOIS TRUST AND SAVINGS BANK, *Chicago*,
NATIONAL CITY COMPANY, *New York*,
FIRST NATIONAL BANK, *New York*.

DEAR SIR: Referring to the \$10,000,000. principal amount Chicago Union Station Company Six and One-Half Per Cent. First Mortgage Bonds, Series C, due July 1, 1963, which you have agreed to purchase, I beg to state as follows:

These bonds are to be unconditionally guaranteed, by endorsement, as to both principal and interest, jointly and severally, by Chicago, Burlington and Quincy Railroad Company, Chicago, Milwaukee and St. Paul Railway Company, The Pittsburg, Cincinnati, Chicago and St. Louis Railroad Company and Pennsylvania Company, each of which Companies owns one-fourth of the Company's outstanding capital stock, amounting to \$2,800,000, par value, which has been fully paid.

The Chicago Union Station Company owns extensive station and terminal properties in the City of Chicago, now under reconstruction, including the property heretofore used as a terminal by the guarantor companies, and properties adjacent thereto. The entire development extends for about eleven blocks from Carroll Avenue to West Twelfth Street, principally between the Chicago River and North and South Canal Street, and including the present city block bounded by West Adams, West Jackson, Clinton and North Canal Streets, on all of which properties (subject as to certain parts thereof to easements of no material importance) the bonds are secured by a first mortgage.

The purpose of the sale of the \$10,000,000. First Mortgage 6½% Bonds is to reimburse the Station Company for capital expenditures theretofore made, some of which have been temporarily financed, and to place the Company in funds to be used for additional capital expenditures.

These bonds are part of an issue limited to \$60,000,000. principal amount, maturing July 1, 1963, secured by First Mortgage, dated July 1, 1915, made by the Station Company to the Illinois Trust and Savings Bank as Trustee, and of which \$30,850,000., Series A, 4½% Bonds have been heretofore issued and are outstanding, and \$6,150,000. Series B 5% Bonds will upon the completion of this transaction be free in the treasury of the Station Company. The Series C Bonds are to bear interest at the rate of 6½% per annum, payable semi-annually on January 1 and July 1. The entire Series is to be redeemable at the option of the Company on January 1, 1935, or any interest date thereafter at 110% and accrued interest upon ninety days' previous notice. The principal and interest of the bonds are to be payable in gold without deduction for any tax or taxes (except any Federal Income Tax) which the Company or the Trustee may be required to pay or retain therefrom under any present or future law of the United States or of any State, County or Municipality therein. The bonds are to be either in coupon form or in fully registered form. Coupon bonds are to be in denominations of \$1,000. and \$500. each, with privilege of registration as to principal, and are to be exchangeable for bonds registered [as to both principal and interest. Fully registered] bonds will be exchangeable for coupon bonds upon terms stipulated in the mortgage.

Pending the engraving of the definitive bonds, interim certificates will be issued which will carry a coupon for two months' interest, from May 1, 1920, to July 1, 1920, from which latter date the definitive bonds will draw interest.

The issue and guaranty of the bonds and their sale to you are subject to the approval of the necessary public authorities and to the opinion of your counsel.

Application will be made to list the bonds on the New York Stock Exchange.

Yours very truly,

(Signed) J. J. TURNER,
President, Chicago Union Station Company.

M

EXHIBIT No. 1549-2

[Copy of original signed letter in Kuhn, Loeb & Co. file 822, Chicago Union Station Company]

CHICAGO UNION STATION COMPANY,
New York, April 27th, 1920.

MESSRS. KUHN, LOEB & Co., New York,
MESSRS. LEE, HIGGINSON & Co., New York,
ILLINOIS TRUST AND SAVINGS BANK, Chicago,
NATIONAL CITY COMPANY, New York,
FIRST NATIONAL BANK, New York.

DEAR SIR: This Company hereby confirms the sale to you, at 95% of their principal amount and accrued interest to date of delivery, of \$10,000,000. principal amount, Chicago Union Station Company Six and One-half Per Cent. First Mortgage Gold Bonds, Series C, due July 1, 1963, to be issued under the First Mortgage dated July 1, 1915, made by the Station Company to the Illinois Trust and Savings Bank, as Trustee and to be unconditionally guaranteed, by endorsement, as to both principal and interest, jointly and severally, by Chicago, Burlington [?] (in pencil) and Quincy Railroad Company, Chicago, Milwaukee and St. Paul Railway Company, the Pittsburgh, Cincinnati, Chicago and St. Louis Railroad Co., and Pennsylvania Company. The entire series will be subject to redemption at the option of the Company, at 110% of their principal amount and accrued interest on any interest date on or after January 1, 1935, upon ninety days' previous notice.

The above sale to you is subject to the issue, guaranty and sale of said bonds as aforesaid being approved by all necessary public authorities. In case this approval should not be given on or before May 31, 1920, or if by that date this Company shall not be prepared to deliver the temporary guaranteed bonds or interim certificates as hereinafter described, you shall be at liberty to cancel this purchase at any time after May 31, 1920.

Pending the preparation of definitive bonds, the Company may execute and deliver a temporary bond or bonds to the Illinois Trust and Savings Bank, of Chicago, which will issue its interim certificates in such denominations as you may request, said interim certificates being exchangeable for engraved bonds, when ready, at the option of the holder, either in Chicago or New York. The

interim certificates will carry a coupon for two months' interest, from May 1, 1920, to July 1, 1920, from which latter date the definitive bonds will draw interest.

It is understood that, prior to the payment for said bonds, we shall furnish you with opinions satisfactory to you and your counsel, as to the validity of the bonds and of counsel of the respective guarantor companies, as to the validity of its guaranty. The validity of the bonds and of the guaranties is to be subject to the approval of your counsel.

Application will be made to list the Bonds upon the New York Stock Exchange.

Please confirm that the above is in accordance with your understanding.

Yours very truly,

H.

CHICAGO UNION STATION COMPANY,
by (Signed) J. J. TURNER, *President*.

EXHIBIT No. 1550

CHICAGO UNION STATION COMPANY

\$10,000,000 First Mortgage Bonds, 6½%, Series C, Dated January 1, 1920, due July 1, 1963, and Offered in April, 1920

Kuhn Loeb & Co., \$5,000,000 (50%) :

Kuhn Loeb & Co.....	\$3,000,000	(30.00%)
National City Co.....	\$1,500,000	(15.00%)
Clark Dodge & Co.....	\$ 500,000	(5.00%)

Lee Higginson & Co., \$5,000,000 (50%) :

Lee Higginson & Co.....	\$1,333,333	(13.33%)
First National Bank.....	\$1,333,333	(13.33%)
J. P. Morgan & Co.....	\$1,333,333	(13.33%)
Illinois Trust & Savings Bank.....	\$1,000,000	(10.00%)

\$10,000,000 (100.00%)

Compiled by the Staff of the Investment Banking Section, Monopoly Study, Securities and Exchange Commission, from ledger transcripts, memoranda and correspondence of the several companies.

EXHIBIT No. 1551-1

[Copy of original signed letter in Kuhn, Loeb & Co. file "863*, Chicago Union Station Co."]

Stamped "OFFICIAL"

CHICAGO UNION STATION COMPANY,
Chicago, Ill., May 26, 1921.

MESSRS. KUHN, LOEB & Co., *New York*,
MESSRS. LEE, HIGGINSON & Co., *New York*,
ILLINOIS TRUST AND SAVINGS BANK, *Chicago, Ill.*
THE NATIONAL CITY COMPANY, *New York*,
FIRST NATIONAL BANK, *New York*.

DEAR SIRs: This Company confirms the sale to you, at 97½% of their principal amount and accrued interest to date of delivery, of \$6,000,000. principal amount, Chicago, Union Station Company 6½% First Mortgage Gold Bonds, Series C, due July 1, 1963, to be issued under first mortgage dated July 1, 1915 made by the Station Company to the Illinois Trust and Savings Bank, as Trustee, and to be unconditionally guaranteed by endorsement as to both principal and interest, jointly and severally, by Chicago, Burlington and Quincy Railroad Company, Chicago, Milwaukee & St. Paul Railway Company, The Pittsburgh, Cincinnati, Chicago & St. Louis Railroad Company and Pennsylvania Company. The entire series will be subject to redemption at the option of the Company at 110% of their principal amount and accrued interest on any interest date on or after January 1, 1935, upon ninety days' previous notice.

The above sale to you is subject to the issue, guarantee and sale of said bonds, as aforesaid, being approved by all the necessary public authorities.

In case this approval should not be given on or before July 1, 1921, or if, by that date, this Company shall not be prepared to deliver the temporary guaranteed bonds or interim certificates as hereinafter described, you shall be at liberty to cancel this purchase at any time after July 1, 1921.

Pending the preparation of definitive bonds, the Company may execute and deliver a temporary bond or bonds to the Illinois Trust and Savings Bank of Chicago, which will issue its interim certificates in such denominations as you may request, said interim certificates being exchangeable for engraved bonds when ready, at the option of the holder, either in Chicago or in New York.

It is understood that, prior to the payment for said bonds, we shall furnish you with opinions satisfactory to you and your counsel as to the validity of the bonds and of counsel of the respective guarantor companies as to the validity of its guarantee. The validity of the bonds and of the guaranties is to be subject to the approval of your counsel.

Application will be made to list the bonds upon the New York Stock Exchange.

Please confirm that the above is in accordance with your understanding.

Very truly yours,

CHICAGO UNION STATION COMPANY

by (Signed) J. J. TURNER,

President.

L

EXHIBIT No. 1551-2

[Copy of unsigned carbon copy of letter in Kuhn, Loeb & Co. file "863, Chicago Union Station Co."]

Stamped "OFFICIAL"

NEW YORK, May 26, 1921.

J. J. TURNER, Esq.,

President, Chicago Union Station Company,
Chicago, Illinois.

DEAR SIR: We beg to acknowledge receipt of your letter of even date and to confirm our purchase upon the terms stated in your letter, of \$6,000,000. Six and One-Half Per Cent. First Mortgage Gold Bonds, Series C, due July 1, 1963, of your Company, to be guaranteed and to be redeemable as therein set forth.

Yours very truly,

(Without signature)

GWB:M

EXHIBIT No. 1552

CHICAGO UNION STATION COMPANY

\$6,000,000 First Mortgage Bonds, 6½%, Series C, Dated January 1, 1920, due July 1, 1963, and Offered May, 1921.

Kuhn, Loeb & Co., \$3,000,000 (50%) :

Kuhn, Loeb & Co.-----	\$2,000,000	(33.33%)
National City Co.-----	\$1,000,000	(16.67%)

Lee Higginson & Co., \$3,000,000 (50%) :

Lee, Higginson & Co.-----	\$800,000	(13.33%)
First National Bank-----	\$800,000	(13.33%)
J. P. Morgan & Co.-----	\$800,000	(13.33%)
Illinois Trust & Savings Bank-----	\$600,000	(10.00%)

	\$6,000,000	(100.00%)
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Compiled by the Staff of the Investment Banking Section, Monopoly Study, Securities and Exchange Commission, from ledger transcripts, memoranda and correspondence of the several companies.

EXHIBIT No. 1553-1

[Copy of unsigned carbon copy of letter in Kuhn, Loeb & Co. file "863-1, First National—
Ill. Trust—Lee, Higginson—National City."]

Stamped "OFFICIAL"

MAY 27, 1921.

Confidential.

MESSRS. LEE, HIGGINSON & Co.,
ILLINOIS TRUST AND SAVINGS BANK, CHICAGO,
FIRST NATIONAL BANK, NEW YORK, NEW YORK.

DEAR SIR: Referring to the purchase of \$6,000,000. Chicago Union Station Company First Mortgage 6% Bonds made by you jointly with the National City Company and ourselves upon the terms of the letter of the Company dated May 26, 1921, we beg to confirm that you are interested in this business to the extent of one-half.

Will you kindly confirm that the above is in accordance with your understanding, and believe us,

Very truly yours,

(Without signature)

GWB.MEG.

Encl.

EXHIBIT No. 1553-2

[Copy of carbon copy of unsigned letter in Kuhn, Loeb & Co. file "863-1, National—Ill. Trust—Lee, Higginson—National City."]

Stamped "OFFICIAL"

MAY 27, 1921.

Confidential

PIERPONT V. DAVIS, Esq.,

*Vice President, The National City Company,
55 Wall Street, New York City.*

DEAR SIR: Referring to the purchase of \$6,000,000 Chicago Union Station Company First Mortgage 6½% Gold Bonds, made in accordance with the terms of the enclosed copy of a letter to the Company, dated May 26th, 1921, we beg to confirm that Messrs. Lee, Higginson & Co. of New York, the Illinois Trust & Savings Bank of Chicago and the First National Bank of New York are jointly interested in this business to the extent of one-half, and that you and we are interested to the extent of one-half of which your participation is one-third and ours two-thirds.

Will you kindly confirm that the above is in accordance with your understanding, and believe us,

Very truly yours,

(Without signature)

GWB-MM

EXHIBIT No. 1553-3

[Copy of original signed letter in Kuhn, Loeb & Co. file "863-1, First National—Ill. Trust—Lee, Higginson—National City."]

Boston

Higginson & Co., London

Chicago

LEE, HIGGINSON & COMPANY

43 Exchange Place

MESSRS. KUHN, LOEB & Co.

William and Pine Streets,

New York City, N. Y.

NEW YORK, May 27, 1921.

DEAR SIR: We thank you for your letter of May 27th, addressed to Lee, Higginson & Co., Illinois Trust & Savings Bank and the First National Bank of New York, and confirm that we are interested to the extent of one-half in the purchase of \$6,000,000 Chicago Union Station Co. First Mortgage 6½% Bonds, upon the terms of the letter of the Company, dated May 26, 1921.

Very truly yours,

(Signed) LEE, HIGGINSON & Co.

EXHIBIT No. 1553-4

[Copy of original signed letter in Kuhn, Loeb & Co. file "863-1, First National—Ill. Trust—Lee, Higginson—National City."]

Cable Address: "Nacitco"

Stamped "OFFICIAL COPY"

THE NATIONAL CITY COMPANY
National City Bank Building

NEW YORK, May 31, 1921.

MESSRS. KUHN, LOEB & COMPANY,
William and Pine Streets, New York.

DEAR SIR: We beg to acknowledge receipt of your letter of the 27th instant, setting forth our interest in the purchase of \$6,000,000 Chicago Union Station Company First Mortgage 6½% Gold Bonds, together with copy of the letter of Mr. J. J. Turner, President of the Chicago Union Station Company, addressed to the group. We hereby confirm that our interest is as stated by you.

Very truly yours,

(Signed) PIERPONT V. DAVIS,
Vice President.

EXHIBIT 1554-1

[Copy of original signed letter in Kuhn, Loeb & Co. file 924, Chicago Union Station Company.]

CHICAGO UNION STATION COMPANY,

Stamped "OFFICIAL"

Chicago, May 23, 1922.

MESSRS. KUHN, LOEB & Co., *New York*,
MESSRS. LEE, HIGGINSON & Co., *New York*,
ILLINOIS TRUST & SAVINGS BANK, *Chicago*,
THE NATIONAL CITY COMPANY, *New York*,
FIRST NATIONAL BANK, *New York*.

DEAR SIR: Referring to the \$6,150,000, principal amount Chicago Union Station Company 5% First Mortgage Bonds, Series "B", due July 1, 1963, which you have agreed to purchase, I beg to state as follows:

These bonds are to be unconditionally guaranteed, by endorsement, as to both principal and interest, jointly and severally, by Chicago, Burlington and Quincy Railroad Company, Chicago, Milwaukee and St. Paul Railway Company, The Pittsburgh, Cincinnati, Chicago and St. Louis Railroad Company and Pennsylvania Company, each of which Companies owns one-fourth of the Company's outstanding capital stock, amounting to \$2,800,000 par value, which has been fully paid.

The Chicago Union Station Company owns extensive station and terminal properties in the City of Chicago, now under reconstruction, including the property heretofore used as a terminal by the guarantor companies, and properties adjacent thereto. The entire development extends for about eleven blocks from Carroll Avenue to West Twelfth Street, principally between the Chicago River and North and South Canal Streets, and including the present city block bounded by West Adams, West Jackson, Clinton and North Canal Streets, on all of which properties (subject as to certain parts thereof to easements of no material importance) the bonds are secured by a first mortgage.

The purpose of the sale of the \$6,150,000 First Mortgage 5% Bonds is to place the Company in funds to be used for additional capital expenditures.

These bonds are part of an issue limited to \$60,000,000, principal amount maturing July 1, 1963, secured by first mortgage dated July 1, 1915, made by the Station Company to the Illinois Trust & Savings Bank, as Trustee, of which, in addition to the present issue of \$6,150,000 Series "B" 5% Bonds, there will be outstanding \$30,850,000 Series "A" 4½% Bonds and \$16,000,000 Series "C" 6½% Bonds. The Series "B" Bonds bear interest at the rate of 5% per annum, payable semi-annually on January 1st and July 1st. All or any part of the Series "B" 5% Bonds are subject to redemption at the option of the Company on any in-

terest date on or after January 1, 1924 at 105% and accrued interest. The principal and interest of the bonds are to be payable in gold without deduction for any tax or taxes (except any Federal Income Tax) which the Company or the Trustee may be required to pay or retain therefrom under any present or future law of the United States or of any State, County or Municipality therein. The bonds are to be either in coupon form or in fully registered form. Coupon bonds are to be in denominations of \$1,000 and \$500 each, with privilege of registration as to principal, and are to be exchangeable for bonds registered as to both principal and interest. Fully registered bonds will be exchangeable for coupon bonds upon terms stipulated in the mortgage. Pending the engraving of the definitive bonds, interim certificates will be issued.

The issue and guaranty of the bonds and their sale to you are subject to the approval of the necessary public authorities and to the opinion of your counsel.

Application will be made to list the bonds on the New York Stock Exchange.

Yours very truly,

CHICAGO UNION STATION COMPANY,
By: (Signed) J. J. TURNER, *President*.

EXHIBIT 1554-2

[Copy of original signed letter in Kuhn, Loeb & Co. file 924, Chicago Union Station Company.]

(Red Stamp) OFFICIAL

NEW YORK, May 23, 1922.

J. J. TURNER, Esq.,

President, Chicago Union Station Company, Chicago, Illinois.

DEAR SIR: We beg to acknowledge receipt of your letter of even date and to confirm our purchase upon the terms stated in your letter of \$6,150,000. Five Per Cent. First Mortgage Gold Bonds, Series B due July 1, 1963, of your Company, to be guaranteed and to be redeemable as therein set forth.

Yours very truly,

(Sgd) KUHN, LOEB & Co.
" LEE, HIGGINSON & Co.
" ILLINOIS TRUST & SAVINGS BANK
by LEE HIGGINSON & Co.
THE NATIONAL CITY COMPANY
by PIERPONT H. DAVIS, *Vice-President*.
FIRST NATIONAL BANK OF THE CITY OF NEW YORK
by EUSTACE B. SWEEZY, *Vice-President*.

GWB-MM

EXHIBIT No. 1555

CHICAGO UNION STATION COMPANY

\$6,150,000 First Mortgage Bonds, 5%, Series B, Dated January 1, 1919, due July 1, 1963, and Offered in May, 1922

Kuhn, Loeb & Co., \$3,075,000 (50%) :

Kuhn, Loeb & Co.-----	\$2, 050, 000	(33.33%)
National City Co-----	\$1, 025, 000	(16.67%)

Lee Higginson & Co., \$3,075,000 (50%) :

Lee Higginson & Co.-----	\$820, 000	(13.33%)
First National Bank-----	\$820, 000	(13.33%)
J. P. Morgan & Co.-----	\$820, 000	(13.33%)
Illinois Trust & Savings Bank-----	\$615, 000	(10.00%)

\$6, 150, 000 (100.00%)

Compiled by the Staff of the Investment Banking Section, Monopoly Study, Securities and Exchange Commission, from ledger transcripts, memoranda and correspondence of the several companies.

EXHIBIT No. 1556-1

[Copy of original signed letter in Kuhn, Loeb & Co. file 1018, Chicago Union Station Company.]

CHICAGO UNION STATION COMPANY,
BROAD STREET STATION,
Philadelphia, January 11, 1924.

MESSRS. KUHN, LOEB & Co., *New York*,
Messrs. LEE, HIGGINSON & Co., *New York*,
ILLINOIS MERCHANTS TRUST Co., *Chicago*,
THE NATIONAL CITY COMPANY, *New York*,
FIRST NATIONAL BANK, *New York*.

DEAR SIRS: This company confirms the sale to you at 94¾% of their principal amount and accrued interest to date of delivery of \$7,000,000 principal amount Chicago Union Station Company 5% First Mortgage Gold Bonds, Series "B", due July 1, 1963, to be issued under the First Mortgage, dated July 1, 1915, and to be unconditionally guaranteed by endorsement as to both principal and interest, jointly and severally, by Chicago, Burlington & Quincy Railroad Company, Chicago, Milwaukee & St. Paul Railway Company, The Pittsburgh, Cincinnati, Chicago and St. Louis Railroad Company and Pennsylvania Company. All or any part of the Series "B" 5% Bonds are subject to redemption at the option of the Company on any interest date on or after January 1, 1924, at 105% and accrued interest.

The above sale to you is subject to the issue, guarantee and sale of said bonds, as aforesaid, being approved by all the necessary public authorities. In case these approvals should not be given on or before February 18, 1924, or if by that date this Company shall not be prepared to deliver the bonds, you shall be at liberty to cancel this purchase at any time after February 18, 1924.

It is understood that prior to the payment for said bonds we shall furnish you with opinions satisfactory to you and your counsel as to the validity of the bonds and of counsel of the respective guarantor companies as to the validity of its guarantee. The validity of the bonds and of the guarantee is to be subject to the approval of your counsel.

Application will be made to list the bonds upon the New York Stock Exchange.

Please confirm that the above is in accordance with your understanding.

Very truly yours,

CHICAGO UNION STATION,
By (Signed) SAMUEL REA.

EXHIBIT No. 1556-2

[Copy of carbon copy of unsigned letter in Kuhn, Loeb & Co. file 1018, Chicago Union Station.]

NEW YORK, January 12, 1924.

SAMUEL REA, Esq.,

President, Chicago Union Station Co., Chicago, Ill.

DEAR SIR: We beg to acknowledge receipt of your letters of even date and to confirm our purchase upon the terms and conditions stated therein of \$7,000,000 face value of your Company's First Mortgage 5% Gold Bonds Series "B" due July 1, 1963, to be guaranteed and to be redeemable, as therein set forth.

Very truly yours,

GW.B.TS

EXHIBIT No. 1557

CHICAGO UNION STATION COMPANY

\$7,000,000 First Mortgage Bonds, 5%, Series B, Dated January 1, 1919, due July 1, 1963, and Offered in January, 1924

Kuhn, Loeb & Co., \$3,500,000 (50%) :		
Kuhn, Loeb & Co.-----	\$2, 333, 333	(33. 33%)
National City Co.-----	\$1, 166, 667	(16. 67%)
Lee Higginson & Co., \$3,500,000 (50%) :		
Lee Higginson & Co.-----	\$933, 333	(13. 33%)
First National Bank-----	\$933, 333	(13. 33%)
J. P. Morgan & Co.-----	\$933, 333	(13. 33%)
Illinois Merchants Trust Co.-----	\$700, 000	(10. 00%)
	<hr/>	
	\$7, 000, 000	(100. 00%)

Compiled by the Staff of the Investment Banking Section, Monopoly Study, Securities and Exchange Commission, from ledger transcripts, memoranda and correspondence of the several companies.

EXHIBIT No. 1558-1

[Copy of original signed letter in Kuhn, Loeb & Co. file 1081, Chicago Union Station Company.]

Stamped : OFFICIAL.

CHICAGO UNION STATION COMPANY,
Chicago, Ill., November 12th, 1924.

MESSRS. KUHN, LOEB & Co., New York,
MESSRS. LEE, HIGGINSON & Co., New York,
ILLINOIS MERCHANTS TRUST COMPANY, Chicago,
THE NATIONAL CITY COMPANY, New York,
FIRST NATIONAL BANK, New York.

7 (in ink)

DEAR SIRS : (In ink : S. R.) This Company has agreed to sell to you \$3,000,000 principal amount Chicago Union Station Company 5% Guaranteed Gold Bonds due December 1, 1944, at 96½% of their principal amount and accrued interest to date of delivery. The bonds are to be unconditionally guaranteed by endorsement as to both principal and interest jointly and severally by Chicago, Burlington & Quincy Railroad Company, Chicago, Milwaukee and St. Paul Railway Company, The Pittsburgh, Cincinnati, Chicago and St. Louis Railroad Company and The Pennsylvania Railroad Company, and are to be otherwise as described in my letter to you of even date herewith.

The above sale to you is subject to the issue, guaranty and sale of said bonds as aforesaid being approved by all the necessary public authorities. In case these approvals should not be given on or before December 26th, 1924, or if by that date this Company shall not be prepared to deliver the temporary bonds, you shall be at liberty to cancel this purchase at any time after such date.

It is understood that prior to the payment for said bonds, we shall furnish you with opinions satisfactory to you and your counsel as to the validity of the bonds and of counsel of the respective guarantor companies as to the validity of their respective guaranties. The form and terms of the bonds and of the trust indenture under which they are to be issued, are to be subject to your approval and that of your counsel.

Please confirm that the above is in accordance with your understanding.

Yours truly,

(Signed) SAMUEL REA, President.

EXHIBIT No. 1558-2

[Copy of carbon copy of signed letter in Kuhn, Loeb & Co. file 1081, Chicago Union Station Company.]

Stamped: OFFICIAL

(In pencil)?

NEW YORK, N. Y., November 14, 1924.

SAMUEL REA, Esq., *President,*
Chicago Union Station Co.,
Chicago, Illinois.

DEAR SIR: We beg to acknowledge receipt of your letters of the 12th instant, and to confirm our purchase upon the terms and conditions stated therein of \$7,000,000. face value principal amount of your Company's 5% Guaranteed Gold Bonds, due December 1, 1944 to be guaranteed and to be redeemable as therein set forth.

Very truly yours,

(Stamped:) (Sgd.) KUHN, LOEB & Co.

GWB:GO

EXHIBIT No. 1559

CHICAGO UNION STATION COMPANY

\$7,000,000 Guaranteed Gold Bonds, 5%, Dated December 1, 1924, due December 1, 1944, and Offered November, 1924

Kuhn, Loeb & Co., \$3,500,000 (50%) :

Kuhn, Loeb & Co.-----	\$2,333,333	(33.33%)
National City Co.-----	\$1,166,667	(16.67%)

Lee Higginson & Co., \$3,500,000 (50%) :

Lee Higginson & Co.-----	\$ 933,333	(13.33%)
First National Bank-----	\$ 933,333	(13.33%)
J. P. Morgan & Co.-----	\$ 933,333	(13.33%)
Illinois Merchants & Trust Co.-----	\$ 700,000	(10.00%)

	<u>\$7,000,000</u>	<u>(100.00%)</u>
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Together with this issue there were also purchased and sold \$850,000 First Mortgage 4½% Bonds, Series A, dated January 1, 1916, and due July 1, 1963.

Compiled by the Staff of the Investment Banking Section, Monopoly Study, Securities and Exchange Commission, from ledger transcripts, memoranda and correspondence of the several companies.

"EXHIBIT No. 1560" appears in full in the text on p. 11438

"EXHIBIT No. 1561," introduced on p. 11439, is on file with the Committee.

"EXHIBIT No. 1562," introduced on p. 11439, is on file with the Committee.

"EXHIBIT No. 1563," introduced on p. 11440, is on file with the Committee.

"EXHIBIT No. 1564," introduced on p. 11440, is on file with the Committee.

EXHIBIT No. 1565

[Copy of carbon copy of letter in Kuhn, Loeb & Co. file No. 1505-0]

W. W. K. SPARROW,
Vice-President and Comptroller.

CHICAGO UNION STATION COMPANY,
736 UNION STATION,
Chicago, July 12, 1934.

Mr. W. W. ATTERBURY,
*President, Chicago Union Station Company,
Philadelphia, Pa.*

DEAR GENERAL ATTERBURY: The Chicago Union Station Company has three first mortgage issues outstanding, as follows:

Series "A" \$30,850,000 4½%
" "B" 13,150,000 5%
" "C" 16,000,000 6½%

These issues all mature July 1, 1963, with the Series "A" and "B" callable at 105 and Series "C" at 110. The bonds are guaranteed by the Pennsylvania RR. Co., the Pittsburgh, Cincinnati, Chicago & St. Louis Ry. Co., Burlington and Milwaukee.

I have had some discussion with Mr. Newcomet of your company and have also had some correspondence with Mr. Pierpont V. Davis, Vice President, Brown Harriman & Co. Incorporated (formerly National City Company), and Mr. Geo. W. Bovenizer, of Kuhn, Loeb & Co., New York, concerning the possibility of refinancing the Series "C" 6½% issue on a better basis.

When in New York yesterday I discussed this quite fully with Mr. Bovenizer and Mr. Davis, and it is their opinion that under present market conditions the Station Company should be able to sell a \$16,000,000 issue, with a 50-year maturity and 4% coupon, at 98 to the public, which, allowing a commission of two points, would be 96 to the Station Company, or on a 4.2% basis. With this discount and premium the Station Company would have to provide \$18,333,333 to retire the \$16,000,000 outstanding bonds. No additional First Mortgage Bonds could be sold as that mortgage is a closed mortgage. If the Commission will permit the issuance and sale of additional bonds without the creation of additional property, a new issue of Guaranteed Gold Bonds in the amount required could be put out under a new indenture, with the provision that so long as these bonds were outstanding no additional First Mortgage Bonds or Guaranteed Gold Bonds issuable under the indenture created in December, 1924 could be issued. If such a refinancing could be brought about the direct saving in interest to the Station Company would be \$306,667 per annum, and the actual saving over the fifty years, after providing for the amortization of the ten points premium and four points discount, would be \$294,560 per annum.

The Series "C" bonds are callable January 1st on notice being given October 1st. I do not think the Station Company would wish to take the risk of calling the bonds before it had made provision for retiring them, in which case if we are to do anything in the matter it will be necessary for the Station Company to act on it in ample time before October 1st to permit of final arrangements being made after discussions with the Commission and the bankers.

Yours very truly,

(Stamp) (Signed) W. W. K. SPARROW,
Vice President and Comptroller.

bc-Mr. H. E. Newcomet,
Mr. Pierpont V. Davis,
Mr. Geo. W. Bovenizer.

EXHIBIT No. 1566

[From the files of the Chicago, Milwaukee, St. Paul & Pacific Railroad Co., Mr. Sparrow's file—Chicago Union Station Co.]

THE PENNSYLVANIA RAILROAD COMPANY,
GENERAL OFFICE,
Philadelphia, August 6, 1934.

Mr. W. W. K. SPARROW,
Vice-President & Comptroller,
Chicago Union Station Company,
735 Union Station, Chicago, Ill.

DEAR MR. SPARROW: I have yours of August 3rd respecting the possibility of refunding \$16,000,000. 6½% bonds of the Chicago Union Station Company.

This week I leave for vacation, and if anyone is needed from our standpoint, call on Mr. Geo. H. Pabst, Jr., Treasurer of the Pennsylvania Railroad.

I note that you are interviewing Mr. Davis, of Brown Harriman & Co., as well as Mr. Bovenizer. I am not sure that Brown Harriman & Co. participated in the previous bond issue. If not, I assume that it would not be necessary to bring them in now, although they are a very high class firm and Mr. Pierpont V. Davis is a good adviser.

In addition to the various questions you raise, I think the question of a sinking fund will have to be considered; also consideration will have to be given to the question as to whether the bonds will require the endorsement of the proprietary companies. Furthermore, my recollection is that the Milwaukee used the advances mentioned as security for Government loans, which would have to be released; and, in view of present Government loans, this might need some negotiation unless in the meantime this security has been replaced by some other security.

It would be a splendid achievement if a 4% bond could be sold at 98 to the public and net the Station Company 96, but I have been rather doubtful about it myself, although I am by no means so close to the situation as the bankers, who will be able to advise you as to the possibility of this when you take the subject up with them.

Very truly yours,

(Signed) A. J. COUNTY.

EXHIBIT No. 1567

[From the files of the Chicago, Milwaukee, St. Paul & Pacific Railroad Co., Mr. Sparrow's file—Chicago Union Station Co.]

SEPTEMBER 1, 1934.

Mr. A. J. COUNTY,
Vice President, The Pennsylvania Railroad Company,
Philadelphia, Pa.

Mr. BRUCE SCOTT,
Vice Pres. & General Counsel, Chicago, Burlington & Quincy Railroad Co.,
Chicago, Ill.

GENTLEMEN: With reference to proposed refinancing of \$16,000,000 Chicago Union Station Company Series "C" 6½% bonds, maturing July 1, 1935:

I discussed the matter with Mr. Geo. Bovenizer, of Kuhn, Loeb & Co. and Mr. Pierpont Davis, of Brown Harriman & Co., on August 15th and again on the 23rd. Since the discussion I had with them on July 11th the bond market, as you both know, has weakened, and at times has been quite sloppy. Until the market rights itself, and there is greater demand for a high grade investment bond, there is no possibility of our being able to dispose of a new issue of Station Company bonds on the terms previously discussed. However, both Mr. Bovenizer and Mr. Davis had hopes that in view of the financing the Government is going to do in September and October the bond market would improve before October 1st to a point where we could dispose of the new issue of bonds, with a 4% coupon, at a price of 95 or 96 to the Station Company.

I saw Director Sweet of the Bureau of Finance in Washington on Saturday August 18th. I went into the matter with him and a member of his staff quite fully. We had a long discussion, at which practically every feature, including investment, valuation and capitalization, was gone into. The result of it all was that Director Sweet said that in order that this large interest saving could be

effected he would, if a 4% bond could be sold on a reasonable basis, be in favor of authorizing the Station Company to sell an issue of \$16,000,000 First Mortgage Bonds, to replace a like amount of 6½% bonds now outstanding, and \$2,000,000 of its Guaranteed Gold 5s to provide for the premium and discount. This premium and discount would be in excess of \$2,000,000, but the Director felt we ought to be able to raise the additional amount in cash. The additional issue of \$2,000,000 would be conditioned upon the Station Company and proprietary companies agreeing to apply the saving in interest to the retirement of the \$2,000,000 of additional bonds. In addition, the proprietary lines would agree to cancel advances in a like amount. No question was raised as to setting up a sinking fund to retire the \$16,000,000 of bonds, and I see no reason why such a condition should be imposed. There is no sinking fund to retire the bonds now outstanding and the mortgage does not provide for one. Commissioners Mahaffie and Meyer were away on vacation, so I did not have an opportunity of talking with them.

Mr. County in his letter to me of August 6th raised the question of whether these additional bonds would have to be endorsed by the proprietary companies. The \$7,000,000 of outstanding Guaranteed Gold Bonds bear the endorsement of the proprietary lines guaranteeing principal and interest, and it is my understanding any additional issue would have to bear the same endorsement.

Mr. County also raised the question of the Milwaukee's ability to cancel its proportion of the advances which, if the additional bonds are limited to \$2,000,000, would be \$500,000. As of May 31, 1934, the advances made by each of the proprietary companies, as shown by the books of the Station Company, amount to \$4,318,360.60. The Milwaukee pledged with the Reconstruction Finance Corporation advances it had made to the Station Company in the amount of \$3,971,232.78. The Milwaukee, therefore, would have to get a release from the Reconstruction Finance Corporation of \$152,873 of these advances. I am sure we can do this.

Mr. County raised the further question as to Mr. Pierpont Davis, now with Brown Harriman & Co., being brought into the discussion for the reason that Brown Harriman & Co. did not participate in the previous bond issue. Mr. Davis represented the National City Company at the time the last issue was put out and participated in it. He was invited into these discussions by Mr. Geo. Bovenizer, and I was very glad to have the benefit of his counsel and advice.

I am in close touch with Mr. Bovenizer. He called me Thursday to say there was nothing new in the situation and did not expect there would be until after Labor Day and more information was available as to the Government's plans for its September and October financing. In the meantime, if you have any further suggestions I shall be glad to hear from you.

Yours very truly,

(Signed) W. W. K. SPARROW.

"EXHIBIT No. 1568" introduced on p. 11443, appears in full in text

EXHIBIT No. 1569

[From the files of Smith, Barney & Co., diary entries by J. W. C. (J. W. Cutler) and K. W. (Karl Weisheit)]

CHICAGO UNION STATION

JRS or JWC to speak to Bovenizer regarding possibility of refunding the 5s and 6½s, as per KW's memo of August 10th.—JWC—9/5/34.

RC Jr. and I spoke to George Bovenizer today when he was in the office for Chesapeake syndicate meeting. He said they had had the thing set up for several months and had hoped to do it in October but did not go ahead then on account of St. Paul situation. They are considering refunding only the 6½s (\$18,000,000, I think). Will probably take it up again in February. Might be well to say something to County of P. R. R. if opportunity presents. JPM&Co. had interest in old account thru their connection with Burlington. Question whether or not we might see George Whitney about this.—JWC—12/7/34.

Last bonds sold November 1924 were the 5s of 1944. Following firms appeared: Kuhn Loeb, Lee Higginson, National City, First National NY, Illinois Merchants.—JWC—12/8/34.

Spoke to Mr. Whitney reference Morgan's former interest in business and he said that their position in the various accounts came from LH&Co. (Schweppe of that firm has been very active in the earlier negotiations). Therefore, anything he might do would have to be after talking with LH&Co. Question: Should we say anything to them directly?—JWC—12/11/34.

Talked with Bovenizer reference my conversation with Whitney. He said he might be able to say something to Higginson in our behalf.—JWC—12/14/34.

Company's 6½s to be refunded by equal amount of 4s and approximately \$2,500,000 4% debentures. Kuhn Loeb to manage business jointly with Lee Higginson. We have been granted 10% interest which is coming from Lee Higginson's proportion. (see JWC memo to HDM 5/6/35)—KW—3/16/35.

EXHIBIT No. 1570

[From the files of Glore, Forgan & Co. Letter from Charles F. Glore to Ralph Budd]

FEBRUARY 28, 1935.

Mr. RALPH BUDD,

President, Chicago, Burlington & Quincy R. R. Co.,

547 West Jackson Blvd., Chicago, Illinois.

DEAR MR. BUDD:

Some time ago I discussed with you briefly the possibility of calling the outstanding Chicago Union Station 6½s, at that time asking if I could count on the Burlington's help to be included in this business if it were done. Your answer was that I could.

I later found that Mr. Sparrow was handling the matter and that it was being negotiated largely by the Pennsylvania with Kuhn Loeb. The old Union Station group was composed of Kuhn Loeb, Lee Higginson, National City Company, First National of New York, and the Continental Illinois Company. The latter three are now out of business, but Kuhn Loeb are recognizing Brown Harriman in the National City Company's place, inasmuch as practically the entire personnel of the National City Company are now associated with Brown Harriman.

The Continental Illinois have advised Kuhn Loeb that they would like to see their former interest in our hands and from conversations I have had with Kuhn Loeb there is no objection to our being included.

I understand that this matter is now being discussed actively again and I am wondering if you could consistently call Mr. Sparrow, asking him to do whatever he can in our behalf, which probably simply means passing word on to the Pennsylvania, who I know are extremely friendly to us and I am sure if word came from Mr. Sparrow would be only too glad to strengthen our position.

Anything you can properly do in our behalf will be very much appreciated.

Very truly yours,

CFG/M

EXHIBIT No. 1571

[From the files of Glore, Forgan & Co. Telegram from Charles F. Glore to J. Russel Forgan]

Telegram sent over the private wire of

FIELD, GLORE & Co.

CHICAGO, March 5, 1935.

To: J R F:

Clement was in Chicago last week and Budd spoke to him. He also spoke to Sparrow of the Milwaukee, who was going to pass word on to County.

C. F. G.

10 a m

"EXHIBIT No. 1572" appears in full in text, p. 11448

"EXHIBIT No. 1573" appears in full in text, p. 11449

EXHIBIT No. 1574

[From the files of Glore, Forgan & Co. Letter from Charles F. Glore to J. Russell Forgan]

Confidential.

MARCH 11, 1935.

Mr. J. RUSSEL FORGAN,

New York Office.

DEAR RUSS: Refunding of Chicago Union Station 6½'s seems all set and new bonds will be offered very shortly.

Kuhn-Loeb and Lee-Higginson will head the business as in the past—Brown Harriman and ourselves will follow, and probably Smith and the First of Boston follow us. I don't know yet what our interest will be, nor do I particularly care. I am much more interested in the position.

What I had not understood until recently is that the Chicago Union Station account is a consolidation of two groups that were working on the issue, Kuhn-Loeb and the National City being one, Lee Higginson being the other. Associated with Lee Higginson were the First National, Morgan with a silent interest, and the old Illinois Merchants Bank. Our interest will have to come out of the Lee Higginson participation and we probably will be considered as taking the old Continental interest. Apparently the First National and Morgan are the ones suggesting Smith and the First of Boston.

Nothing is to be done until we hear from Kuhn-Loeb.

Very truly yours,

CFG/M

EXHIBIT No. 1575

[From the files of Glore, Forgan & Co.]

[Copy]

LEE HIGGINSON CORPORATION,
37 BROAD STREET,
NEW YORK, March 23, 1935.

By bearer.

MESSRS. FIELD, GLORE & Co.,
38 Wall Street,
New York City.

DEAR, SIRs: This is to advise that in the purchase of \$16,000,000 principal amount Chicago Union Station Company 4% First Mortgage Bonds, Series "D", due July 1, 1963, and \$2,100,000 principal amount of the same Company's 4% Guaranteed Bonds, due April 1, 1944, made by a group including Messrs. Kuhn, Loeb & Co., Brown Harriman & Co., Inc. and ourselves, all in accordance with the terms of the letter of the Company dated March 22, 1935, a copy of which is enclosed, we have included you in this business with an interest of 10%.

In addition to the above, the following have been included in this business:

Messrs. Edward B. Smith & Co.
The First Boston Corporation
Messrs. White, Weld & Co.
Lazard Freres & Co., Incorporated

On any offering circular or public advertisement, if any, used in connection with an offering of these bonds, the following names will appear in the order indicated:

Kuhn, Loeb & Co.
Lee, Higginson Corporation
Brown Harriman & Co., Inc.
Edward B. Smith & Co.
Field, Glore & Co.
The First Boston Corporation

As verbally agreed, it is understood that including you in this business does not constitute a precedent in connection with any future financing for Chicago Union Station Company.

Please confirm that the foregoing is in accordance with your understanding by signing and returning to us the enclosed copy of this letter.

Very truly yours,

(Signed) JAMES J. LEE, *Assistant Secretary.*

JJL:B

Enclosure

EXHIBIT No. 1576

[From the files of First National Bank of New York. Memorandum by Leverett F. Hooper]

MARCH 7, 1935.

Mr. Jesup called today, saying that the Chicago Union Station Company was considering redeeming its \$16,000,000 First Mortgage 6½% Bonds, Series "C" on July 1 by the issuance of a like amount of 3½% or more probably 4% bonds. If this is done, the company expects to sell at the same time an issue of \$2,100,000 debentures. Mr. Jessup said that Field, Glore & Company had inherited the underwriting interest of the Illinois Merchants Trust Company. J. P. Morgan had been asked if they cared to name an underwriting house to have their share, and decided not to do so. He asked us if we cared to name some one to take over our 13½% interest, intimating that E. B. Smith & Company would be welcome partners to them.

After talking to Mr. Reynolds and Mr. Welldon (Mr. Sturgis away on vacation; Mr. Nagle home sick), I told Ed Jessup that we were most appreciative of this consideration from the account, and if agreeable, we would like to nominate E. B. Smith & Company to receive one half, Lazard Freres one quarter, and White, Weld one quarter of our previous interest. After discussing this with Kuhn, Loeb, Jessup called me back, saying that the account would be composed of Kuhn Loeb, Lee Higginson, Brown Harriman, E. B. Smith, and Field Glore. A part of J. P. Morgan's interest goes to Brown Harriman and enough additional, after our contribution, to E. B. Smith to make the latter firm's interest 10%. These five houses will be on an appearing basis. Lazard Freres and White Weld will be in on the ground floor for the amounts we requested but will not appear. Jessup asked me not to speak to the houses who are to receive our interest at the present time since he was not sure that the financing would be consummated. He said, however, that he would let us know before he spoke to them so that we could do so first.

L. F. H.

EXHIBIT No. 1577

[From the files of First National Bank of New York. Memorandum by Leverett F. Hooper]

MARCH 13, 1935.

Mr. Jesup telephoned me that while consummation of this business was at least ten days away and the price of the new bonds was as yet undetermined, they were now forming their group. Of our interest amounting to 13½%, one half or 6½% of the business would be offered to E. B. Smith & Company, one quarter of our interest or 3½% of the business would be offered to White Weld, and one quarter of our interest or 3½% of the business would be offered to Lazard Frères. Accordingly, S. A. W. telephoned John Cutler of E. B. Smith and I telephoned Alec White of White Weld and Jack Harrison (Stanley Russell away) of Lazard Freres that at our request the account would offer them the above interests in the business on original terms. E. B. Smith & Company will appear, White Weld and Lazard Freres will not. We added that we hoped that banks were not permanently out of the underwriting business and if and when we could legally do so, we would expect to recapture this business from them. We also said that we would probably call upon them for bonds.

L. F. H.

EXHIBIT No. 1578

[From the files of Smith, Barney & Co., memorandum from J. W. Cutler to Mr. Moore]

Private Telegram or Memorandum

EDWARD B. SMITH & Co.,
31 NASSAU STREET,
New York, 5/6/35.

MEMO TO MR. MOORE—

CHICAGO UNION STATION

I confirmed with Mr. Welldon and Mr. Hooper of the First National Bank that they requested 6 $\frac{2}{3}$ % of their former interest in the business be allocated to us. I would like to make this a matter of record. I think you should add that they asked that they be allowed to consider taking this interest back should banks sometime in the future be permitted to underwrite.

The balance of our interest, namely 3 $\frac{1}{3}$ %, came from Lee Higginson & Co.

JWC

EXHIBIT No. 1579

[From the files of Smith, Barney & Co.]

Buying Department Memorandum

MARCH 22, 1935.

\$16,000,000 CHICAGO UNION STATION COMPANY, FIRST MORTGAGE 4% BONDS,
SERIES "D", DUE JULY 1, 1963

PURCHASE GROUP

FOR RECORD ONLY.

As a matter of record, it should be noted that our 10% interest in the purchase group formed in connection with the above issue, which was granted to us through Lee Higginson Corporation, was obtained in the following manner:

Financing of this Company in the past was handled by Kuhn, Loeb & Co. and Lee, Higginson & Co., each having a 50% interest.

The First National Bank of New York were members of the Lee Higginson group with an interest of 10% of the total business. Inasmuch as they could not be identified with this issue, they directed that 6 $\frac{2}{3}$ % out of their 10% be allocated to us, and the remaining 3 $\frac{1}{3}$ % of our 10% was ceded to us by Lee Higginson Corporation.

The interests of the various members of the purchase group were as follows:

Kuhn, Loeb & Co.....	27 $\frac{1}{2}$ %
Lee Higginson Corporation.....	15 $\frac{5}{8}$ %
Brown, Harriman & Co., Inc.....	25%
Edward B. Smith & Co.....	10%
Field, Gloré & Co.....	10%
The First Boston Corporation.....	5%
White, Weld & Co.....	3 $\frac{1}{3}$ %
Lazard Freres & Co., Inc.....	3 $\frac{1}{3}$ %

It was stated in the purchase group letter to us from Lee Higginson Corporation, dated March 23, 1935, that our interest in this business was not to constitute a precedent for future financing of this Company. Also it was Mr. Cutler's understanding with the First National Bank that the Bank should be allowed to consider taking this interest back sometime in the future if banks were permitted to underwrite the issuance of securities again.

H. D. MOORE,
[s] H. D. Moore,
(per W. W. Hoge.)

HDM/f

EXHIBIT No. 1580

[From the files of The First Boston Corporation]

CHICAGO UNION STATION

As has been stated in the public press, this company proposes to call its \$16,000,000 6½s at 110. This is to be financed by an issue of 25 or 30 year First Mortgage 4s, \$16,000,000, and an issue of debentures due 1944 of \$2,500,000, with a sinking fund adequate to retire the issue by maturity. This has always been Kuhn Loeb-Lee Higginson business, and Lee Higginson has extended to us an invitation to participate on original terms to the extent of 5%.

The names that will appear are Kuhn, Loeb, Lee Higginson, Brown Harriman, Edward B. Smith, Field Glore and First Boston. White Weld and Lazard will have small interests, but it has not yet been definitely determined whether they will appear. We were requested by Mr. Hallowell of Lee Higginson who extended this invitation, which we have accepted, to keep confidential the names of the syndicate and the order of their appearance. The business is supposed to come this week and will be done on a 2½ point spread.

Mr. Hallowell said they were tentatively dividing the 2½ points into one point originating, one-half percent banking group if it is feasible to have a banking group, and one percent for selling.

While some of the old members of the syndicate have gone out of business and this is a realignment, this is an invitation to appear as a principal in a new piece of business that neither Harris Forbes nor First Boston appeared in in the past. Field Glore is injected on account of Mr. Charles Glore's being a director of the C. B. & Q.

H. M. ADDINSELL.

MARCH 18TH, 1935.

EXHIBIT No. 1581

[From the files of the Chicago, Milwaukee, St. Paul & Pacific Railroad Co., Mr. Sparrow's file—Chicago Union Station Co.]

KUHN, LOEB & Co.,
WILLIAM AND PINE STREETS,
New York, March 15, 1935.

AIR MAIL

W. W. K. SPARROW, Esq.,
*Vice President, Chicago Union Station Company,
736 Union Station, Chicago, Illinois.*

DEAR MR. SPARROW: I have your letters of yesterday's date with the various enclosures, for which please accept my thanks.

On the Union Station Company statements I have dropped out, in using these for the prospectus, your numbers in front of the various accounts which, I presume, are ledger page numbers and trust this is satisfactory to you. As to the delivery of the bonds to the Chase or some other bank, I do not believe this would work out very well from our standpoint and, as I wrote you yesterday, I believe the Trustee should have no objection to delivering them in a similar manner to us and accept our escrow receipt the same as they would anybody else's. Will you inquire again as to this?

I want at this time to tell you that Messrs. Field, Glore & Co. will be associated with ourselves and the Lee Higginson Corporation on original terms in this financing. As you probably know, Mr. Glore is a director of the C. B. & Q. I suggest therefore that it might be well if you called that Railroad's attention to this so that they may determine for themselves whether, in view of this directorship, there is any danger that the sale of these bonds, guaranteed by the Burlington, will be in violation of the Clayton Act.

Very truly yours,

(Signed) PERCY M. STEWART.

PMS:H

EXHIBIT No. 1582-1

EXTRACT FROM SECTION 20 OF THE CLAYTON ACT

§ 20, *Purchases by common carriers in case of interlocking directorates, etc.* No common carrier engaged in commerce shall have any dealings in securities, supplies, or other articles of commerce, or shall make or have any contracts for construction or maintenance of any kind, to the amount of more than \$50,000, in the aggregate, in any one year, with another corporation, firm, partnership, or association when the said common carrier shall have upon its board of directors or as its president, manager, or as its purchasing or selling officer, or agent in the particular transaction, any person who is at the same time a director, manager, or purchasing or selling officer of, or who has any substantial interest in, such other corporation, firm, partnership, or association, unless and except such purchases shall be made from, or such dealings shall be with, the bidder whose bid is the most favorable to such common carrier, to be ascertained by competitive bidding under regulations to be prescribed by rule or otherwise by the Interstate Commerce Commission.

* * * *

(15 U. S. C. 20, Oct. 15, 1914, c. 323 Sec. 10, 38 Stat. 734.)

EXHIBIT No. 1582-2

EXTRACT FROM SECTION 20a (12) OF THE INTERSTATE COMMERCE ACT

20a (12) *Restrictions on actions of officers and directors; penalty.*—It shall be unlawful for any person to hold the position of officer or director of more than one carrier, unless such holding shall have been authorized by order of the commission, upon due showing, in form and manner prescribed by the commission, that neither public nor private interests will be adversely affected thereby. It shall be unlawful for any officer or director of any carrier to receive for his own benefit, directly or indirectly, any money or thing of value in respect of the negotiation, hypothecation, or sale of any securities issued or to be issued by such carrier, or to share in any of the proceeds thereof, or to participate in the making or paying of any dividends of an operating carrier from any funds properly included in capital account. Any violation of these provisions shall be a misdemeanor, and on conviction in any United States court having jurisdiction shall be punished by a fine of not less than \$1,000 nor more than \$10,000, or by imprisonment for not less than one year nor more than three years, or by both such fine and imprisonment, in the discretion of the court. (49 U. S. C. 20a (12), Feb. 4, 1887, c. 104, § 20a; Feb. 28, 1920, c. 91, § 439, 41 Stat. 494.)

EXHIBIT No. 1583

[Letter from Glore, Forgan & Co. to Investment Banking Section, Monopoly Study, Securities & Exchange Commission]

GLORE, FORGAN & Co.

Chicago—New York

123 SOUTH LA SALLE STREET,
Chicago, November 17, 1939.

Mr. PETER R. NEHEMKIS, Jr.,

*Special Counsel, Investment Banking Section, Monopoly Study,
Securities and Exchange Commission, Washington, D. C.*

DEAR MR. NEHEMKIS: Answering the question contained in your letter of November 15, we had no occasion to obtain opinion of counsel on the legality of our firm's participation in the four issues of Chicago Union Station Company bonds issued in 1935 and 1936.

Our interest in the banking group purchasing these issues was a minor one—in no case being over 10%. We had no part in negotiating the issue, which was handled by others, and we were simply offered the small interest mentioned above.

Trusting this answers your inquiry, I am

Very truly yours,

CFG/M

C. F. GLORE.

"EXHIBIT No. 1584" appears in full in the text on p. 11457

EXHIBIT No. 1585

[Letter from Chicago, Burlington & Quincy Railroad Company to Investment Banking Section, Monopoly Study, Securities and Exchange Commission]

A. T. WILLIAMS
Treasurer and Asst. Secretary
A. W. ANDERSON
Cashier
W. C. HUNTINGTON
Paymaster

EDITH J. ALDEN
Secretary and Asst. Treasurer
A. D. McLANE
Asst. Secretary

CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY,
547 WEST JACKSON BOULEVARD,
Chicago, Ill., November 30, 1939.

Mr. PETER R. NEHEMKIS, Jr.,
Special Counsel, Investment Banking Section, Monopoly Study,
Securities and Exchange Commission, Washington, D. C.

DEAR SIR: Replying to your letter of November 21st having relation to the issue by Chicago Union Station Company of \$16,000,000, 4% First Mortgage, Series D, and \$2,100,000, 4% Guaranteed bonds in the year 1935:

Our records do not show that any question was raised as to the participation of Field, Gloré & Co. in these bond issues by reason of the fact that Mr. Charles F. Gloré, a partner in Field, Gloré & Co., was at that time a director of Chicago, Burlington & Quincy Railroad Company. The only opinion of which we have record is the opinion of our Vice President and General Counsel made a part of the application filed with the Interstate Commerce Commission, a copy of which is hereto attached. I am advised that it is not likely that any such question was raised or considered so far as this company was concerned in view of the fact that the bonds in question were issued and sold by the Chicago Union Station Company. The Chicago, Burlington & Quincy Railroad Company's connection with the transaction was as guarantor of the bonds and, of course, in order to make such guarantee it was required to secure the authority of the Interstate Commerce Commission.

The Chicago, Burlington & Quincy Railroad Company had no dealings whatsoever with Field, Gloré & Co. in connection with these bonds and is not aware of any reason why the Chicago Union Station Company was not free to have dealings with respect to said bonds with Field, Gloré & Co. if it saw fit.

Yours truly,

EDITH J. ALDEN, Secretary.

encl.

[Copy]

EXHIBIT No. 13. CHICAGO, BURLINGTON & QUINCY RAILROAD COMPANY

CHICAGO, ILLINOIS, March 14, 1935.

IN RE: APPLICATION TO INTERSTATE COMMERCE COMMISSION BY CHICAGO UNION STATION COMPANY FOR ORDER TO ISSUE AND SELL \$16,000,000 SERIES "D" FIRST MORTGAGE 4% BONDS AND \$2,500,000 GUARANTEED 4% BONDS

It is my opinion from the facts stated in the foregoing application, that the guaranty of said bonds for which authority is asked is:

- (a) For some lawful object within the corporate purposes of the carrier and compatible with the public interest, which is necessary or appropriate for or consistent with the proper performance by the carrier of service to the public as a common carrier and which will not impair its ability to perform that service, and
- (b) Is reasonably necessary and appropriate for such purpose, and
- (c) Is or will be legally authorized and valid if approved by the Commission.

BRUCE SCOTT,
Vice President and General Counsel,
Chicago, Burlington & Quincy Railroad Company.

EXHIBIT No. 1586-1

[Copy of carbon copy of letter in Kuhn, Loeb & Co. file 1504-1]

MARCH 22, 1935.

*Confidential.*LEE HIGGINSON CORPORATION,
37 Broad Street, New York, N. Y.

DEAR SIRs: Referring to the purchase of \$16,000,000 principal amount, Chicago Union Station Company 4% First Mortgage Bonds, Series "D", due July 1, 1963, and \$2,100,000 principal amount of the same Company's 4% Guaranteed Bonds, due April 1, 1944, made by you, jointly with Brown Harriman & Co., Inc., and ourselves, all in accordance with the terms of the letter of the Company dated March 22, 1935, six copies of which are enclosed, we beg to confirm that you are interested in this business to the extent of one-half. We understand that of your one-half interest in this business, you have ceded certain participations, on original terms, to Messrs. Edward B. Smith & Co., Field, Glore & Co. and The First Boston Corporation, all of whose names are to appear on the offering circular and public advertisement, if any, in that order, and in addition, certain participations to Messrs. White, Weld & Co. and Lazard Freres & Co., Incorporated, whose names will not so appear.

Will you kindly confirm that the above is in accordance with your understanding and, upon completion of your agreements with the above participants, be good enough to forward us copies thereof for our records.

Very truly yours,

J.

encs.

NOTE.—This carbon copy is signed in pencil "Kuhn, Loeb & Co."

EXHIBIT No. 1586-2

[Copy of original signed letter in Kuhn, Loeb & Co. file 1504-1]

New York

Boston

Chicago

LEE HIGGINSON CORPORATION,
37 BROAD STREET,
New York, March 23, 1935.Messrs. KUHN, LOEB & Co.,
52 William Street, New York, N. Y.

DEAR SIRs: We acknowledge receipt of your letter of March 22nd in which you advise of the purchase of \$16,000,000 principal amount Chicago Union Station Company 4% First Mortgage Bonds, Series "D", due July 1, 1963 and \$2,100,000 principal amount of the same Company's 4% Guaranteed Bonds, due July 1, 1944, made by you jointly with Brown Harriman & Co., Inc. and ourselves all in accordance with the terms of the letter of the Company dated March 22, 1935 of which you enclosed six copies.

We confirm that we are interested in this business to the extent of one-half and that of our one-half interest we have ceded certain participations on original terms to Messrs. Edward B. Smith & Co., Field, Glore & Co. and the First Boston Corporation, all of whose names are to appear on the offering circular and public advertisement, if any, in that order; and in addition certain participations to Messrs. White, Weld & Co. and Lazard Freres & Co., Incorporated, whose names will not so appear.

We confirm the above terms are in accordance with our understanding and will forward you, when received, copies of agreements with the participants to whom we have ceded interests in this business.

Very truly yours,

(Signed) JAMES J. LEE,
Assistant Secretary.

JL: R.

EXHIBIT No. 1588-1

[Compiled by the Staff of the Investment Banking Section, Monopoly Study, Securities and Exchange Commission, from ledger transcripts, memoranda and correspondence of the several companies.]

CHICAGO UNION STATION COMPANY

\$16,000,000 First Mortgage Bonds, 4%, Series D, Dated January 1, 1935, due July 1, 1963, and Offered in March, 1935

Kuhn, Loeb & Co., \$8,000,000 (50%) plus 2½% ceded out of the 50% of Lee Higginson Corp., making a total of \$8,400,000 (52½%):

Kuhn, Loeb & Co.-----	\$5,600,000	(35.00%)
Brown Harriman & Co. Incorporated-----	\$2,800,000	(17.50%)
Lee Higginson Corp., \$8,000,000 (50%) less 2½% ceded to Kuhn, Loeb & Co., leaving a total of \$7,600,000 (47½%):		
Lee Higginson Corporation-----	\$2,533,333	(15.84%)
Field, Gore & Co.-----	\$1,600,000	(10.00%)
Edward B. Smith & Co.-----	\$1,600,000	(10.00%)
The First Boston Corporation-----	\$800,000	(5.00%)
White, Weld & Co.-----	\$533,334	(3.33%)
Lazard Frères & Co., Incorporated-----	\$533,334	(3.33%)
	<u>\$16,000,000</u>	<u>(100.00%)</u>

EXHIBIT No. 1588-2

[Compiled by the Staff of the Investment Banking Section, Monopoly Study, Securities and Exchange Commission, from ledger transcripts, memoranda and correspondence of the several companies.]

CHICAGO UNION STATION COMPANY

\$2,100,000 Guaranteed Bonds, 4%, Dated April 1, 1935, due April 1, 1944, and Offered in March, 1935

Kuhn, Loeb & Co., 50% plus 2½% ceded out of the 50% interest of Lee Higginson Corporation, making a total of 52½%:

Kuhn, Loeb & Co.-----	35.00%
Brown Harriman & Co. Incorporated-----	17.50%
Lee Higginson Corporation, 50% less 2½% ceded to Kuhn, Loeb & Co., leaving a total of 47½%:	
Lee Higginson Corporation-----	15.84%
Field, Gore & Co.-----	10.00%
Edward B. Smith & Co.-----	10.00%
The First Boston Corporation-----	5.00%
White, Weld & Co.-----	3.33%
Lazard Frères & Co. Inc.-----	3.33%
	<u>100.00%</u>

NOTE.—The amounts of bonds taken down by these houses varied fractionally from the above percentages. The latter, however, were the basis for the distribution. The amounts of bonds are as follows:

Kuhn, Loeb & Co.-----	\$725,000
Brown Harriman & Co. Inc.-----	375,000
Lee Higginson Corporation-----	335,000
Field, Gore & Co.-----	210,000
Edward B. Smith & Co.-----	210,000
The First Boston Corporation-----	105,000
White, Weld & Co.-----	70,000
Lazard Frères & Co., Inc.-----	70,000
	<u>\$2,100,000</u>

EXHIBIT No. 1589

[From the files of First National Bank of New York. Memorandum from Henry S. Sturgis to Leverett F. Hooper]

[Copy]

FEBRUARY 27, 1936.

Memorandum for Mr. Hooper:

Mr. Jesup, of Lee Higginson & Co., came to see me today to report that Chicago Union Station will issue about \$43,000,000 bonds for the purpose of calling the 4½'s and 5's. They will probably be 3¾'s at a premium.

He came in the second instance to explain that they were making some changes in the percentage interest which various members of the group would have in this issue as against the former one, all caused by the presence now of Morgan Stanley & Company in the business. It appears that in the former issue J. P. Morgan & Co. advised Lee Higginson to allocate that interest wherever they wished. They gave 5% to the First of Boston and divided the remainder between themselves and Kuhn, Loeb & Company. Field, Glore & Company got the 10% interest of the Continental Bank. Mr. Jesup reported that Mr. Stanley felt that this interest was too large; it has, therefore, been cut to 7½%, and Morgan Stanley & Co. will have 15%, with Lee Higginson a like amount. The First of Boston will have the same 5%, allocated half from Kuhn, Loeb & Co. and half from the Lee Higginson & Co. group. This cuts to 10% the interest which we would ordinarily have to allocate to our friends and they propose to allocate it in the same manner as last time: one-half to E. B. Smith & Co. and one-quarter each to Lazard and White Weld & Co.

Mr. Jesup asked what our reaction would be. I told him that our main interest was to retain for ourselves such business as we had formerly had should banks again be put into the underwriting business, and that if he would assure me that if we were again permitted to underwrite we would have our former interest, we then wished him to act in the present instance in any way which best suited his purpose. It is his expectation that we will inform our three friends of their interest and why they were cut down.

H. S. S.

February 28: These bonds are coming more quickly than at first anticipated, and Messrs. E. B. Smith, White Weld and Lazard Frères have already been informed of the reduction in their interest. We have decided to buy 700 of the bonds and I have asked for 350 from E. B. Smith and 175 each from the other two.

H. S. S.

EXHIBIT No. 1590

[From the files of Glore, Forgan & Co. Letter from Charles F. Glore to Ralph Budd]

JANUARY 25, 1936.

RALPH BUDD, Esq.,

Chicago, Burlington & Quincy R. R. Company,

547 West Jackson Blvd., Chicago, Illinois.

MY DEAR MR. BUDD: I have just learned this morning that the Chicago Union Station plan to do some additional refinancing.

If you will remember, in the recent issue of \$16,000,000 4's Field, Glore & Co. secured a position very largely, if not entirely, through your help. Normally, I would not bother you again on this subject, but with the return, through Morgan, Stanley & Company, of J. P. Morgan & Company to the bond business, there may be some discussion of interests in the proposed business that might or might not affect the position that we secured in the last financing.

With this thought in mind, I am wondering if you would be willing to drop Mr. County of the Pennsylvania Railroad a note to the effect that you would like to have us continued in Union Station business. I suggest Mr. County for the reason that I understand Mr. Clement is away from his office.

If entirely consistent and you can write such a letter, it will be very much appreciated.

Very truly yours,

CFG/M.

"EXHIBIT No. 1591" appears in full in the text, p. 11468

"EXHIBIT No. 1592" appears in full in the text, p. 11468

EXHIBIT No. 1593

[From the files of Smith, Barney & Co., diary entries by J. W. C. (J. W. Cutler)—Chicago Union Station]

H. Sturgis of First National Bank called today and said business would probably come next week. \$43,000,000 3¾s. Same group, with addition of Morgan Stanley, on account of their being back in business. Therefore, participations will be reduced and ours will be 5% instead of 6½%, as it was in the old issue. (?) We may expect to hear officially from Mr. Jesup of Lee Higginson.—JWC—2/27/36.

Mr. Jesup of Lee Hig telephoned later. His conversation was as follows: "We are planning to call the 4½s and 5% bonds of Chicago Union Station, which will involve an issue of about \$43,000,000 of new bonds. The group will be the same, ourselves, Kuhn, Loeb, etc.—Kuhn Loeb heading. The bonds will probably be 3¾s, to be sold at a premium. Price not definitely fixed—somewhere around 3.50 to 3.55 basis. The Road wants the premium in order to avoid putting up new money.

The account becomes more complicated this time, as Henry Sturgis probably explained to you, as Morgan Stanley is back in business, and that slices everybody. Out of the 10% interest that the First Natl. had left out of their 13½, Henry said he wanted to divide 50% to EBS&Co. and 25% each to Lazard and White Weld, giving EBS&CO. an interest of 5% and Lazard and White Weld each 2½%.

The spread will probably be a gross of 2 points. This is not definite but I think it will be something like this:

⅓ management to KL & Lee Hig.

⅝ in the original purchase, out of which ⅓ will come for expenses.

½ of 1% in an underwriting group, and it is planned to have each member of the Purchase Group have 50% of his original purchase group interest in underwriting, with ¾ of 1% in the selling.

It might come along around the 8th to 10th, but can probably be shaped up to come along next Tuesday or Wednesday. It should be an attractive bond."—JWC—2/27/36.

EXHIBIT No. 1594

[From the files of Smith, Barney & Co., diary entry by K. W. (Karl Welsheit)—Chicago Union Station]

JWC asked Ed Jesup if they were expecting to give us a participation out of their interest as in the last deal where we got 3¼% from them. Jesup explained that the 3¼% had come out of J. P. Morgan & Co.'s interest which they could not at that time take themselves and that since Morgan Stanley were now in business they would take the interest which J. P. Morgan & Co. formerly had so that there was nothing to give us in addition to the 5% out of the First National Bank's interest. Jesup remarked that as in previous case this was not to be construed as a precedent for future financing of this company.—KW—2/28/36.

EXHIBIT No. 1595

[From the files of Smith, Barney & Co.]

MARCH 3, 1936.

\$44,000,000 CHICAGO UNION STATION COMPANY FIRST MORTGAGE 3¾% BONDS,
SERIES "E" DUE JULY 1, 1963

PURCHASE GROUP

Our interest in this business amounted to 5%, or \$2,200,000 compared to the 10% interest which we had in the purchase group formed in connection with the

sale of \$16,000,000 First 4s of 1963 in March, 1935. The decrease in our interest came about in the following way:

The First National Bank of New York had an interest of 10% in Chicago Union Station financing in the past. When the First 4s, Series "D", were sold in March, 1935, their interest was increased to $13\frac{1}{3}\%$ because of the fact that J. P. Morgan & Co. was not in the business. The First National Bank directed that 50% of their interest (or $6\frac{2}{3}\%$ of the total business) be allocated to us and we received an additional $3\frac{1}{3}\%$ interest through Lee Higginson Corporation out of their proportion of J. P. Morgan & Co.'s interest.

In the case of the present financing the interest of the First National Bank was reduced to their former 10% because of the fact that Morgan Stanley & Company took over the old J. P. Morgan & Co. interest. Half of this 10%, or 5% of the total business, was allocated to us, 25% each (or $2\frac{1}{2}\%$ of the total business) being given to White, Weld & Company and Lazard Freres & Company, Inc. We received no interest in the present purchase group through Lee Higginson Corporation because the $3\frac{1}{3}\%$ which we had thus received when the First 4s, Series "D", were offered was taken by Morgan, Stanley & Company. Consequently our final interest in this financing was limited to the 5% allocated to us by the First National Bank.

As in the case of the previous financing it was stated in the purchase group letter to us from Lee Higginson Corporation that our interest in the business was not to constitute a precedent in connection with any future financing for Chicago Union Station Company.

G. W. SPEER.

GWS/f

EXHIBIT No. 1596-1

[From the files of Lee Higginson Corporation]

KUHN, LOEB & Co.,
March 2, 1936.

Confidential.

LEE HIGGINSON CORPORATION,
37 Broad Street, New York, N. Y.

DEAR SIR: Referring to the purchase of \$44,000,000, principal amount, Chicago Union Station Company $3\frac{3}{4}\%$ First Mortgage Bonds, Series "E", due July 1, 1963, made by you, jointly with Brown, Harriman & Co., Incorporated, and ourselves and associates, all in accordance with the terms of the letter of the Company dated March 2, 1936, six copies of which are enclosed, we beg to confirm that you are interested in this business to the extent of one-half. We understand that of your one-half interest in this business the following have certain participations on original terms:—

Messrs. Edward B. Smith & Co.
Field, Glore & Co. and
The First Boston Corporation,

all of whose names are to appear on the offering circular and public advertisement, if any, in that order, and in addition

Messrs. White, Weld & Co.
Lazard, Freres & Co., Incorporated, and
Morgan, Stanley & Co., Incorporated,

whose names will not so appear.

We understand that you will advise the participants above mentioned that their participation will be subject to a management charge of $\frac{1}{8}\%$ and their pro rata share of all expenses (including any losses which may result from purchases or sales in trading in these bonds or in other securities of the Station Company).

Will you kindly confirm that the above is in accordance with your understanding and, upon completion of your agreements with the above participants, be good enough to forward us copies thereof for our records.

Very truly yours,

(Signed) KUHN, LOEB & Co.

VS

EXHIBIT No. 1596-2

[From the files of Lee Higginson Corporation].

By bearer.

MORGAN, STANLEY & Co., INCORPORATED,

2 Wall Street, New York City.

LEE HIGGINSON CORPORATION,

March 2, 1936.

DEAR SIRS: Referring to the proposed purchase and public offering of \$14,000,000 principal amount of Chicago Union Station Company 3¾% First Mortgage Bonds, Series E, due July 1, 1963, made by a Group Including Messrs. Kuhn, Loeb & Co., Brown Harriman & Co., Inc., and ourselves, all in accordance with the terms of the letter of the Company dated March 2, 1936, copy of which is enclosed, we beg to confirm that we have included you in this purchase with an interest of \$6,600,000 principal amount.

You agree that Messrs. Kuhn, Loeb & Co. shall be Managers of the Account and shall have authority to arrange all details in connection with the public offering and sale of the Bonds.

Your participation in this purchase will be subject to a management fee of ⅛% and your pro-rata share of all expenses (including any losses which may result from purchases and sales in dealing in these Bonds).

In addition to yourselves, the following have also included in this purchase, with interests as indicated:

Messrs. Edward B. Smith & Co. (5%)	\$2,200,000
Messrs. Field, Glore & Co. (7½%)	3,300,000
The First Boston Corporation (5%)	2,200,000
Messrs. White, Weld & Co. (2½%)	1,100,000
Lazard Freres & Co., Inc. (2½%)	1,100,000

Of the interest of \$2,200,000, principal amount to The First Boston Corporation, \$1,100,000 (i. e. 2½%) has been offered to them by Messrs. Kuhn, Loeb & Co., and \$1,100,000 (i. e. 2½%) by Lee Higginson Corporation.

On any offering circular or public advertisement, if any, used in connection with an offering of these Bonds, the following names will appear, in the order indicated: Messrs. Kuhn, Loeb & Co.; Lee Higginson Corporation; Brown Harriman & Co., Inc.; Messrs. Edward B. Smith & Co.; The First Boston Corporation.

Please confirm that the foregoing is in accordance with your understanding by signing and returning to us the enclosed copy of this letter.

Very truly yours,

_____, Assistant Secretary.

JJL:R

Enclosures

CONFIRMED: March 2, 1936.

(Signed)

MORGAN STANLEY & CO. INCORPORATED.
HAROLD STANLEY, President.

EXHIBIT No. 1596-3

[From the files of Harriman Ripley & Co., Incorporated]

Confidential.

PIERPONT V. DAVIS, Esq.,

Vice President, Brown Harriman & Co., Incorporated,
63 Wall Street, New York, N. Y.KUHN, LOEB & Co.,
WILLIAM AND PINE STREETS,
New York, March 2, 1936.

DEAR SIR: Referring to the purchase of \$14,000,000. principal amount Chicago Union Station Company 3¾% First Mortgage Bonds, Series "E", due July 1, 1963, in accordance with the terms of the enclosed copy of a letter from the Company dated March 2, 1936, we beg to confirm that Lee Higginson Corporation and certain associates are jointly interested in this business to the extent of one-half and that you and we are interested to the extent of one-half. The First Boston Corporation has an interest of 2½% in our ½ share and we confirm that in the remaining 47½%, your participation is ⅓ and ours ⅔. Your participation will be subject to a management charge of ⅛% and your pro rata share of all expenses (including any losses which may result from purchases or sales in trading in these bonds or in other securities of the Station Company).

We enclose for your information copy of a letter which we have addressed to Lee Higginson Corporation in regard to the above.

Please confirm that the above is in accordance with your understanding, and oblige,

Yours very truly,

(Signed) KUHN LOEB & Co.

V.

Encl.

EXHIBIT No. 1597-1

CHICAGO UNION STATION COMPANY

\$44,000,000 First-Mortgage, 3¾%, Series E, Dated January 1, 1936, due July 1, 1963, and Offered in April, 1936

Kuhn, Loeb & Co., \$22,000,000 (50% of which 2½% was ceded to The First Boston Corporation and the remainder divided as follows:)

Kuhn, Loeb & Co.-----	\$13,933,000	(31.67%)
Brown Harriman & Co. Incorporated-----	\$6,967,000	(15.83%)
The First Boston Corporation-----	\$2,200,000	(5.00%)

Lee Higginson Corporation, \$22,000,000 (50%, of which 2½% was ceded to The First Boston Corporation and the remainder divided as follows:)

Lee Higginson Corporation-----	\$6,600,000	(15.00%)
Morgan Stanley & Co. Incorporated-----	\$6,600,000	(15.00%)
Field, Glore & Co.-----	\$3,300,000	(7.50%)
Edward B. Smith & Co.-----	\$2,200,000	(5.00%)
White, Weld & Co.-----	\$1,100,000	(2.50%)
Lazard Frères & Co. Inc.-----	\$1,100,000	(2.50%)

	\$44,000,000	(100.00%)
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Compiled by the Staff of the Investment Banking Section, Monopoly Study, Securities and Exchange Commission, from ledger transcripts, memoranda and correspondence of the several companies.

EXHIBIT No. 1597-2

CHICAGO UNION STATION COMPANY

\$7,000,000 Guaranteed Bonds, 3½%, Dated September 1, 1936, due September 1, 1951, and offered in August, 1936

Kuhn, Loeb & Co., \$3,500,000 (50% of which 2½% was ceded to the First Boston Corporation and the remainder divided as follows:)

Kuhn, Loeb & Co.-----	\$2,217,000	(31.67%)
Brown Harriman & Co. Incorporated-----	\$1,108,000	(15.83%)
The First Boston Corporation-----	\$350,000	(5.00%)

Lee Higginson Corporation, \$3,500,000 (50% of which 2½% was ceded to the First Boston Corporation and the remainder divided as follows:)

Lee Higginson Corporation-----	\$1,050,000	(15.00%)
Morgan Stanley & Co. Incorporated-----	\$1,050,000	(15.00%)
Field, Glore & Co.-----	\$525,000	(7.50%)
Edward B. Smith & Co.-----	\$350,000	(5.00%)
White, Weld & Co.-----	\$175,000	(2.50%)
Lazard Frères & Co. Inc.-----	\$175,000	(2.50%)

	\$7,000,000	(100.00%)
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Compiled by the Staff of the Investment Banking Section, Monopoly Study, Securities and Exchange Commission, from ledger transcripts, memoranda and correspondence of the several companies.

EXHIBIT No. 1598

[From the files of Lazard Frères & Co.]

[File—Confidential]

Super C. F. For officers only. C. F. 6c. 9-22-34. cop. 1.

SEPTEMBER 22, 1934.

cop. 1.

MEMORANDUM

PACIFIC GAS & ELECTRIC COMPANY

This morning Mr. Hockenbeamer came in to see me and in the course of the conversation we discussed the matter of my relationship with him and with P. G. & E. and also the possibility of our new company having relations with P. G. & E. Mr. Hockenbeamer recognized my long standing acquaintance with his situation, dating from the first operation under his present mortgage, including the drafting of that mortgage by me. He recognized the high position of the firm of Lazard Freres, both in this country and abroad, and in fact voluntarily stated he had always known of the firm since he was a boy.

He seemed to be impressed with the possibilities of our situation and indicated while we were a new company that our chances were as good, if not better, than anyone else, to maintain with them a banking relationship. However, he said there was no likelihood of any financing by P. G. & E. certainly this year and possibly for a year or more afterward. On the other hand, if the bond market were to show extraordinary strength, so that a refunding of the \$45,000,000, 5½% Bonds could be undertaken at a substantial saving, he might be interested. I told him that I expected to be on the Coast in due course and would make it a point to come in and see him and discuss matters further.

On the question of monthly statements, he said he was sending no monthly statements to anyone and he was disinclined to do so. I urged upon him the advantage of having a central source of information here to which insurance companies and other holders of P. G. & E. securities could come for discussion of the company. He said he would think it over further, but he doubted whether he would be inclined to supply us with monthly statements. Furthermore, he said that even if he were to supply them to us he would under no conditions permit copies to be delivered to anyone else, even the Prudential or other insurance outfits of that kind.

S. A. RUSSELL.

SAR.FVB

EXHIBIT No. 1599

[From the files of Lazard Frères & Co.]

C. Official Conf. 6c. 10-2-34. Cop. 1.

OCTOBER 2, 1934.

MEMORANDUM

PACIFIC GAS & ELECTRIC COMPANY

OFFICIAL—CONFIDENTIAL

Today I lunched with Mr. George Leib of Blyth & Co. at his request. After luncheon he wanted to see our offices and in my room before leaving expressed great friendliness and a desire to cooperate in successful business whenever possible. At this point, I commented that we felt the same way and that one of these days we might sit down and discuss the P. G. & E. situation, whereupon he said that was a matter concerning which I should talk with Mr. Hockenbeamer. He indicated that he had talked with Mr. Hockenbeamer when he was on the Coast about two weeks ago. He also mentioned that Mr. Hockenbeamer was here for a few days recently, whereupon I said that Mr. Hockenbeamer had

come in to see me and we had discussed the situation. He, apparently, was not aware that Mr. Hockenbeamer was in to see me. He thereupon went on to say that, of course, I knew then that no financing was contemplated for this year and it might be some time before financing was done. He further commented that of course we, meaning Lazard Freres & Co., Inc., should be in the account, and stated that Mr. Hockenbeamer had a great liking for me. However, at this point, he also said that he supposed it would be a "free for all" like a lot of other things. The plain deduction from this comment is, in my mind, that they expect or hope to get a leading position, if not the leading position, in the handling of this business, but, as he went away, he said we are still, of course, good friends. I conclude, therefore, we should not raise the question of P. G. & E. financing with the firm of Blyth & Co. unless they do with us. Our objective should be to develop the situation directly with Mr. Hockenbeamer and others interested in the Company even despite the fact that Blyth & Co. have the strongest position on the Pacific Coast of anyone.

S. A. R.

SAR.FVB

EXHIBIT No. 1600-1

STIPULATION

It is hereby stipulated and agreed that the documents listed below are true copies of original communications or carbon copies from the files of Lazard Frères & Co. and that they were received or sent, as the case may be, by Lazard Frères & Co. or Lazard Frères & Co. Inc.

Date	Description	To—	From—
Feb. 16, 1935.....	Postal Telegraph.....	John D. Harrison.....	S. A. Russell.
April 15, 1935.....	Letter.....	A. F. Hockenbeamer..	S. A. Russell.
December 1934.....	Memorandum.....	Mr. Russell.....	George L. Burr.
Dec. 27, 1934.....	Memo of Telephone Conversation.....	S. A. Russell.
Feb. 18, 1935.....	Postal Telegraph.....	Stanley Russell.....	John D. Harrison.
Feb. 20, 1935.....	Postal Telegraph.....	Stanley A. Russell.....	John D. Harrison.
Feb. 21, 1935.....	Letter.....	James K. Lochead.....
Feb. 28, 1935.....	Postal Telegraph.....	John D. Harrison.....	S. A. Russell.
April 6, 1935.....	Letter.....	Stanley A. Russell.....	A. F. Hockenbeamer.
Sept. 6, 1935.....	Letter.....	Stanley A. Russell.....	Roy L. Shurtleff.
Sept. 12, 1935.....	Letter.....	Roy L. Shurtleff.....	S. A. Russell.
Feb. 8, 1936.....	Postal Telegraph.....	Ramsey Harrison.....	S. A. Russell.
Feb. 27, 1936.....	Memorandum.....	S. A. Russell.
April 1, 1936.....	Letter.....	James B. Black.....	S. A. Russell.
April 3, 1936.....	Telegram.....	Mr. Russell.....	Harrison.

DEC. 13, 1939.

STANLEY A. RUSSELL

EXHIBIT No. 1600-2

[From the files of Lazard Frères & Co.]

Postal Telegraph

SAN FRANCISCO, CALIF., February 16, 1935.

JOHN D. HARRISON,

*Lazard Freres and Company, Inc.,**15 Nassau St., N. Y. C.*

Referring Brown Harriman have always contemplated they should have interest as large as ours if they wished. Stop. If they have any other impression please be sure to correct. Stop. Blyth talked with president this morning and later with me at luncheon while very friendly and cooperative he wants equal interest with us and is adamant for position preceding Brown Harriman even to the extent of being willing to face their withdrawal from

business and their possible hostility as a consequence. Stop. He feels that neither they nor any of their personnel have had any connection or position in this business heretofore whereas he has continuously been in the business for many years. Stop. I have told him frankly I thought he was asking for more interest than he was entitled and in addition to several other arguments have also advised him strongly in his own selfish interest against a policy which might result in antagonizing Brown Harriman. Stop. He also brought up his local position and relations with many directors and president of company. Stop. We must recognize that we have to face this local situation in which president is quite sympathetic to local people who have been helpful to him in different ways. Stop. I have not endeavored to discuss this situation further with president as believed it wiser to delay until Monday, however, after all we must realize the final decision will probably be made by the president as has always been the case in the past. Stop. Will take this up again probably on Monday in the meantime if you have any comments please advise. Stop. Better let consideration remaining members underwriting group rest for time being.

S. A. RUSSELL.

EXHIBIT No. 1600-3

[From the files of Lazard Freres & Co.: Letter from S. A. Russell to A. F. Hockenbeamer]

APRIL 15, 1935.

Personal and confidential. Via air mail.

MR. A. F. HOCKENBEAMER,

President, Pacific Gas & Electric Company,

245 Market Street, San Francisco, Cal.

MY DEAR HOCK: With respect to your letter of April 6th concerning which I wired you from Chicago, I will answer you in part now, although before mailing this letter I may add to it or write you a supplemental letter because Mr. Bauer either arrived today or will tomorrow, and in any event, further information will doubtless be available inside of the next twenty-four to forty-eight hours.

With respect to the matter of law firms in the Southern California Edison situation, my information is there were three law firms originally involved, namely, a local firm, independent of the Company's own counsel, also a Chicago firm, and finally Sullivan & Cromwell. It appears that in the early stages of the work out there, there developed some difference of opinion between these law firms and the Chicago firm withdrew from the situation. Consequently, there remained two law firms to complete the job. What the aggregate fees may be for them I do not know, but, in due course, the Registration Statement will disclose this information.

As regards the question of auditors, it is true that only one firm, namely, Arthur Andersen & Co. was involved in the Southern California situation. However, at the time of the Pacific Gas & Electric job, it was the feeling that a brief check-over in principle by another auditing firm was an element of protection, to be sure in theory only, both to the underwriters and to Officers and Directors of the Company, and in this connection, it was my understanding that Mr. Bosley regarded this check-over favorably. While I was not particularly close to what Arthur Andersen & Co. did, nevertheless, from what I have heard I really think it was desirable because they made certain suggestions which were in clarification of important points in the statements as finally filed with the Commission.

As regards the statement made by Mr. Bauer, from which you quote in your letter of April 6th, I am advised that the underwriting agreement as proposed (of which, so far as I know, no underwriting group member has yet received a copy) will provide for indemnity by the Southern California Edison Company. In fact, as the matter has been told to me, although I cannot vouch for it, because I have not yet seen a copy of the underwriting agreement, it is my understanding that the indemnity will be broader than in the case of the Pacific Gas & Electric Company. However, we will know more about this later when the underwriting agreement becomes available. Incidentally, just for your own information, I have heard some rather severe criticism in important quarters of Mr. Bauer's statement, the comment having been made that it was unnecessary and reflected upon the Directors.

Mr. Bauer's remark to you that he would not sign any prospectus and would not, therefore, have liability under it, is, I am informed, incorrect. The latest copy of the prospectus provides for his signature and his name appears thereon. I have no doubt that he will sign it. However, I am advised whether or not he did sign it, he would still be liable for the statements in the prospectus because of his signature on the registration statement proper to which the prospectus is attached.

I think the foregoing covers specifically the questions raised in your letter of April 6th. However, there are some broader aspects of the situation which I feel impelled to discuss with you.

In the period from early February until late March during which the Pacific Gas & Electric Company business was initiated and brought to fruition, you and I at various times commented upon the pioneering character of the job. I do not think we fully realized just how much pioneering we really were doing and the results to be expected. Certainly, I did not in the light of subsequent developments.

As I look back, I almost marvel at the change which took place in market conditions during the period of somewhat less than two months. You will recall that during the greater part of February the investment markets were virtually stagnant awaiting the gold clause decision of the Supreme Court. Because of the uncertainties surrounding that decision, you and I on different occasions spoke with some doubt regarding the possible consummation of any piece of business. Then came the decision which gave the markets a fillip. Following that, came your registration with the Commission, the press release of the Commission accompanied by the dramatic episode of airplane travel across the continent, all of which received widespread publicity. The effect was almost electric. The investment market began to show animation with respect to new issues, the like of which had not occurred in months, if not in years. Here was the largest piece of public utility financing in a period of about four years and the long-awaited breakup of the capital jam was about to take place. It was also the first operation of magnitude under the Securities Act involving an underwriting group and a nationwide selling group. The attitude of the underwriting group members and of counsel was one of extreme caution both from the standpoint of liability under the Securities Act and from the standpoint of the market receptiveness of such a large issue. When you were here, I think I gave you some idea of the difficulty we experienced with certain of the underwriting group members with respect to their last minute views on the question of price. I think I also told you of my feeling a day or two before the Pacific Gas & Electric Company offering when the Chicago Union Station Bonds which were offered at 101 had jumped to 104 and over. However, these various elements are a part and parcel of the price of being a pioneer.

That this financing has cost you somewhat more than would have been the case had a major pioneering job been done prior to your financing, I have little doubt, in view of subsequent developments. However, I am equally convinced that such excess cost, whatever it may have been, is more than offset by other advantages involving the credit and public estimation of the Pacific Gas & Electric Company. That the reception of the issue, its performance in the market, and even if I do say it myself, the manner in which it was handled, is a source of credit to you and to ourselves, I likewise have no doubt. We have had scores of comment from all over the country of the most complimentary character. The following quotation taken from a letter to me from one of your important Pacific Coast dealers is a sample.

"This issue was and is the top spot of them all and everybody out here that I know has commented on the beautiful way it was handled."

I really think, considering all the factors involved, and particularly the pioneer character of the operation, it was a job well done from every angle, and it will redound to the advantage of the Company in the future.

Now a little bit about the future. There is no question that your financing has stirred up a tremendous amount of interest in similar operations; apparently there are simply scores of them under contemplation. Southern California Edison, of course, will be the first one of major importance to be offered. The underwriting group, so far, has had no discussion of price. From the calls which have been made upon us by dealers, insurance companies, etc., there is a distinct feeling that there may be an effort to price the bonds too high, despite the fact that the legality feature is apparently clean-cut, and a clean-cut statement in regard thereto is embraced in the prospectus. I have also learned,

although I was not so advised at the time of the formation of the underwriting group, that Mr. Bauer has laid down a condition of $2\frac{1}{2}$ points' spread. This is a reflection of his intense desire to accomplish a lower cost of money than you did. This he is likely to do if for no other reason than that he is not pioneering and you were. I assume we shall know more later on in the week on the price situation. It will be very interesting to obtain the views at a group meeting, and in due course I will give you the benefit of that discussion.

At this moment, I rather doubt if the Southern California Edison business is as well received and is as successful as yours was. If, on the other hand the operation should be eminently successful on approximately the price and cost basis that Mr. Bauer evidently has in mind, then I should say there is likely to be a very considerable volume of new financing largely refunding. In this connection also, I should say that there is likely to develop—in fact, there already is developing—a tendency to cut spreads from what the investment banking fraternity has been accustomed to in times past. This tendency will exist so long as market conditions make it possible, and until a distinctly unsuccessful operation, or a series of them, provides a check which will cause a reconsideration of the basis upon which business is done. However, so long as current conditions and tendencies exist, I want you to know that we are quite prepared to adapt ourselves accordingly, and to bring about a similar point of view on the part of the underwriting group which handled the recent Pacific Gas & Electric business. I assume that you are proceeding on the program which you had in mind when you left here and that in due course you will take steps toward its fulfillment. In this connection, I venture to raise the question whether you should reconsider the matter of acquiring municipal franchises which would remove the question of legality beyond the realm of any doubt. I am prompted to raise this question in view of the apparently clean-cut position of Southern California Edison business on this point, of which I was not aware previously, believing, as I did, their situation was comparable with yours. Apparently, however, such is not the case. I merely mention this as a matter to be considered in connection with the other steps of your program should you proceed to carry it out.

I will keep you advised from time to time of any developments which arise here and particularly in connection with the Southern California Edison offering or others of a similar nature.

With kindest regards, I am

Yours faithfully,

SAR.FVB

EXHIBIT No. 1600-4

[From the files of Lazard Frères & Co.]

DECEMBER 1934.

Memorandum to Mr. Russell.

PACIFIC GAS & ELECTRIC COMPANY, SAN FRANCISCO

I saw Mr. Hockenbeamer, President, at his office and again when I was having lunch at the Pacific Union Club. His company has \$22,000,000. on deposit in its banks and can probably take care out of earnings and depreciation charges of its near maturity as well as any construction program that might come up, with one exception, and that is a third gas line to the north from Kettleman Hills field. This however is not immediate.

Nevertheless, if it were not for Schedule "A" in the Securities and Exchange Act I think that he would like to take advantage of low money rates and do a substantial refunding operation which would save him a considerable sum of money. However, none of these men wants to undertake the burden of preparing the information involved in the present requirements. They would, of course, if they had to; but unless it is a matter of necessity I doubt if any of them do it.

Blyth & Company have an interest in this business, but their connection is by no means as close as in the case of Pacific Lighting Company and I do not think that we need to discuss it with them. I did not mention this company in my conversations with that firm. Mr. Hockenbeamer has very satisfactory

recollections of the business which he had in the past with Mr. Russell and I think there is no danger in our going alone after a position in this business. Mr. Hockenbeamer would like to work with us and at the conclusion of my conversation with him said, "Do not worry. You will not be forgotten."

Nevertheless, no matter as important as this should be left to go its own way.

GEORGE L. BURR,

En route, San Francisco, to New York.

NOTE: Power to be available from Boulder Dam will probably lessen for some time the requirements of all of these California utilities for central station construction work.

EXHIBIT No. 1600-5

[From the files of Lazard Frères & Co.]

DECEMBER 27, 1934.

MEMORANDUM.

PACIFIC GAS & ELECTRIC COMPANY

I telephoned Mr. Hockenbeamer today to ascertain if he was giving any consideration to the possibility of a piece of private financing for the purpose of refunding his outstanding 5½% Bonds, as was somewhat indicated in the conversation I had a week ago with Mr. James Black. Mr. Hockenbeamer said that the matter had been up for some consideration but that he did not have it actively in mind. In fact, he was rather disinclined to consider favorably a private deal. He thought that such deals were not contemplated by the Securities Act and it might eventually lead to some trouble. He did say that he was very much interested and was waiting to receive the modified registration requirements from the Securities Exchange Commission which he understood would be available around the middle of January. He indicated that if the modifications were sufficient and market conditions were right that he might possibly consider favorably an operation which in effect refunded his present outstanding 5½s. These bonds are callable on June 1st next upon a public call notice of sixty days and ten days additional to the Trustee, making seventy days in all, thus necessitating arrangements for the deal by not later than the 15th of March. We should follow this closely in connection with the promulgation of the modified registration requirements.

As regards the lease of the Sierra & San Francisco properties, he stated he rather thought they would allow the lease to lapse because, with the present ownership, it was an unnecessary complication.

S. A. RUSSELL.

SAR.FVB

EXHIBIT No. 1600-6

[From the files of Lazard Frères & Co.]

Postal Telegraph

NEW YORK, N. Y., February 18, 1935.

STANLEY RUSSELL,

Palace Hotel:

Second talk with Davis Sylvester. Stop. They maintain original position. Stop. Would consider Blyths insistence second position extremely unfriendly and not to best interest of company. Stop. Would definitely withdraw from business rather than accept third place. Stop. Much surprised Blyths attitude in view friendly relations here. Stop. They intend to discuss with Leib immediately.

JOHN D. HARRISON.

EXHIBIT No. 1600-7

[From the files of Lazard Frères & Co.]

Postal Telegraph

NEW YORK, N. Y., February 20, 1935.

STANLEY A. RUSSELL,
Palace Hotel.

Sylvester and Davis both definitely favor withdrawal from group rather than accept third position. Stop. Because of importance this business Sylvester says they would naturally wish discuss with their associates before reaching final decision to withdraw completely.

JOHN D. HARRISON.

EXHIBIT No. 1600-8

[From the files of Lazard Frères & Co.]

FEBRUARY 21, 1935.

Mr. JAMES K. LOCHEAD,
American Trust Company, San Francisco, California.

DEAR JIM: I tried to reach you by telephone before leaving but could not find you.

I had a talk with Shurtleff here and with Charley Blyth over the telephone. They demurred at giving up any of their interest to others. I explained that I had made that suggestion thinking it fitted their book—if it did not fit their book I would withdraw the suggestion and we would either leave others out of the account entirely or we would arrange it between ourselves and give up accordingly. This was satisfactory to them.

I also told them I had secured a concession from Brown Harriman whereby Blyth would appear second on the Coast and Brown Harriman third, whereas in the east Brown Harriman would appear second and Blyth third. This was unacceptable and Roy Shurtleff departed.

Frankly, I think the attitude was a little unreasonable. They apparently feel the matter can be left in abeyance until I get back here next week. In the meantime, however, I am authorizing our people to go ahead with E. B. Smith and First Boston, in the belief that it is a strong group for P. G. & E.

If there is anything you can do to help in this situation I will deeply appreciate it. I will telephone you upon my return.

Yours faithfully,

EXHIBIT No. 1600-9

[From the files of Lazard Frères & Co.]

Postal Telegraph

SAN FRANCISCO, CALIF., February 28, 1935.

JOHN D. HARRISON, LAZARD FRERES AND COMPANY, INC.,
15 Nassau Street, New York City.

Banking group formed with definite acceptance by Blyth Smith and First Boston. Stop. Blyth understand they appear second on coast and third in East. Stop. Although they wish to again raise question of appearance with president they accept on above basis. Stop. Manner in which First Boston situation has been handled appears very peculiar to me however this is matter for later consideration. Stop. Please say to Brown Harriman that I am proceeding on theory they are in this group even with third place everywhere however it is my present anticipation that they will be second in the East and third on the coast. Stop. Banking group members here meet tomorrow Blyth's office eleven thirty for consideration price views therefore if you or Brown Harriman have anything further on this subject please wire me early as possible. Stop. In this connection Woods feels three and three quarters coupon at three eighty five basis to public perfectly feasible. Stop. Walker

Blyth and I feel fours at par or very slight discount probably perfectly feasible with only slight improvement market conditions. Stop. Foregoing refers thirty year bond. Stop. In my opinion this group unquestionably has inside position and can pull business through provided group can unite on price views. Stop. In this connection Woods feels Brown Harriman views thirty year bond ridiculously low. Stop. Suggest you recheck market. Stop. At present thirty year straight maturity has preference over serial although serial not entirely eliminated. Stop. Woods discussion with president decidedly unfortunate and in my opinion entirely uncalled for under circumstances existing as I have advised him in no uncertain terms however believe matter can be handled in ultimate. Stop. Lawyers appear optimistic.

S. A. RUSSELL.

EXHIBIT No. 1600-10

[From the files of Lazard Frères & Co. Letter from A. F. Hockenbeamer to Stanley A. Russell]

A. F. HOCKENBEAMER,
President.

PACIFIC GAS AND ELECTRIC COMPANY,
245 MARKET STREET,
San Francisco, California, April 6, 1935.

Personal and Confidential.

MR. STANLEY A. RUSSELL,
President, Lazard Frères & Co., Ltd., 15 Nassau St.,
New York, N. Y.

DEAR STANLEY: I have just been looking over Securities and Exchange Commission Press Release No. 328, to appear in the morning newspapers of Monday, April 1st, relating to Southern California Edison Company's 3¾% refunding issue of \$73,000,000, and it makes me weep to think that one law firm, Sullivan & Cromwell, was the only counsel employed by The First Boston Corporation, whereas we had to pay for three. They had but one auditor regularly employed by them, namely, Arthur Andersen & Co., whereas our regular auditors were not deemed sufficient and all of their work had to be pawed over by Arthur Andersen & Co.

I am also interested in the following paragraph appearing in this press release:

"In my opinion the underwriting group which has been formed by The First Boston Corporation is by far the largest and most representative which has made a public offering of securities since the enactment of the Securities Act in the spring of 1933. *It may be pointed out that so far as I know no member of this outstanding group of investment bankers had any hesitancy in accepting the liabilities of the Securities Act as amended.*"

Does the foregoing mean that the Southern California Edison was not required to indemnify the underwriters as Pacific Gas was required to do?

Harry Bauer also told me that he didn't sign any prospectus and would, therefore, have no liability under it.

Sincerely yours,

A. F. H.

AFH:TJ

EXHIBIT No. 1600-11

[From the files of Lazard Frères & Co.]

NEW YORK
CHICAGO
BOSTON
SAN FRANCISCO

LOS ANGELES
SEATTLE
PORTLAND

BLYTH & Co., INC.
RUSS BUILDING
Cable address: BLYTHCO

MR. STANLEY A. RUSSELL, SAN FRANCISCO, September 6, 1935.
President, Lazard Frères & Co.,
15 Nassau Street, New York City.

MY DEAR STANLEY: Just as a matter of record, I outline herein my recollection of the conversation had yesterday between you, Mr. Hockenbeamer and myself

regarding the future status of the Pacific Gas & Electric Co., bond syndicate management.

1. I stated that Blyth & Co., Inc., were not happy with the present arrangement wherein Lazard Frères & Co., were Syndicate Managers, and Blyth & Co., Inc., were Pacific Coast Managers; that we felt our historical connection with the business entitled us to the claim which we had put forward when the first issue of 4% bonds was under discussion, namely, that we have joint heading of the business.

2. You stated that as regards our claim to joint syndicate management of the Pacific Gas & Electric account, you were sympathetic, and you agreed that prior to the next issue of bonds, you and ourselves would sit down and discuss the matter out to our mutual satisfaction.

3. Mr. Hockenbeamer stated that he wanted your firm and ours to fix the matter up as between ourselves, without reference to him.

What a difference there is in the ease of bringing out an issue, once it is registered! I regret that this one was so easy that it required your time in San Francisco only a few days, as against several weeks for the first issue.

I hope to be back in New York sometime toward the end of October, and will give myself the pleasure of dropping in and seeing you and Jack Harrison, at that time.

Sincerely yours,

RLS
HKE

Roy.
Roy L. SHURTLEFF.

EXHIBIT No. 1600-12

[From the files of Lazard Frères & Co. Letter from S. A. Russell to Roy L. Shurtleff]

Mr. ROY L. SHURTLEFF,

SEPTEMBER 12, 1935.

Blyth & Co., Inc.,

Russ Building, San Francisco, California.

DEAR ROY: Upon my return I find your letter of September 6 regarding your recollection of the conversation that you and I had in Mr. Hockenbeamer's office and in which he participated to some extent. Generally speaking I think you and I understand thoroughly what we discussed and what is in our respective minds. Frankly, I do not think your letter covers the situation fully nor all the points which we discussed. For instance, you spoke of your present national status in which I concurred. Furthermore, bearing on your point number 2, I think the words I used were that I was not "totally unsympathetic to your suggestion." I also stated that there were other factors in the situation which I did not feel at liberty to discuss at that time but which in my mind dictated the desirability of deferring serious consideration of your suggestion until the next issue of bonds, which is likely to occur in the spring of 1936. There were also some other minor points raised but I do not feel they are sufficiently important to set down here. As a matter of fact, as stated above, I think we understand each other sufficiently and you may rely on my assurance to you that we will sit down and discuss this situation to a conclusion which I hope will be mutually satisfactory, prior to the financing next spring.

When you are here in October please be sure to come in and see us as we would like very much to have you spend some time with us.

With kindest regards, I am

Yours faithfully,

SAR/hbn

_____, President.

EXHIBIT No. 1600-13

[From the files of Lazard Frères & Co.]

Postal Telegraph

SAN FRANCISCO, CALIF., February 8, 1936.

RAMSEY HARRISON,

Lazard Freres & Co., Inc., 15 Nassau St., N. Y. C.:

No joint managership However Charley has no commitments to any one and promises discuss matter with us first We decided not press him too hard for

second position however expect see Black Saturday morning and will endeavor secure some expression on this point from him We are playing golf with Charley and Bernard Saturday afternoon and under present plan expect to leave for Los Angeles either Saturday night or Sunday night.

S. A. RUSSELL.

EXHIBIT No. 1600-14

[From the files of Lazard Frères & Co.]

FEBRUARY 27, 1936.

MEMORANDUM

PACIFIC GAS AND ELECTRIC COMPANY

Yesterday, Mr. Jackson and I called upon Mr. C. E. Mitchell, at his request, to learn of the group arrangement on the forthcoming \$90,000,000 Pacific Gas and Electric Company business. He specifically stated that the present group arrangement was special for this deal alone and embraced:

Blyth & Co.....	\$14, 000, 000
Morgan, Stanley.....	10, 000, 000
Kuhn, Loeb.....	7, 500, 000
Dillon, Read.....	7, 500, 000
Brown, Harriman.....	8, 000, 000
E. B. Smith.....	8, 000, 000
First Boston Corp.....	8, 000, 000
Lazard Freres & Co., Inc.....	6, 000, 000
Dean, Witter.....	6, 000, 000
Bonbright.....	4, 000, 000
Byllesby.....	4, 000, 000
Rollins.....	4, 000, 000
and 6 Pacific Coast houses.....	500, 000 a piece.

The latter six houses would appear only on the Coast; the three new names in the account would not appear in any advertisement.

Mr. Mitchell then related the terms of the business and asked for our answer as soon as possible.

In respect to our position and account, he said that it had been the desire of himself and his associates in New York to maintain us in second position, but that the line-up of the account had been settled on the Pacific Coast and they were unable to do better than the foregoing.

Later I telephoned Mr. Blyth, who indicated he had no objection to an improvement in our position but he did not think it was possible to change the account, but would talk to Mr. Black. I then called Mr. Black and recalled to him his willingness to have us communicate with him in event the situation did not work out to our satisfaction. Consequently, we were availing ourselves of that opportunity. I told him we had no particular question regarding the amount retained by Blyth, nor the introduction of the three new names in the account, but that we were dumbfounded at reducing our position, both in amount and appearance, below or after Brown, Harriman, E. B. Smith and First Boston. I emphasized to him the job we had done in the past years' financing and our appearance before the public in first position. In response to my question as to what justified this change, he said there was no particular reason. I also emphasized the fact that our appearance ahead of these three houses would merely be a continuation of the appearance in previous offerings. I asked him to reconsider the situation, which he promised to do and communicate with me today.

This afternoon we received from him the following telegram:

"Have restudied situation in view our conversation yesterday and regret advise deal now in such shape impossible to make changes you suggest Stop Am insisting you have special attention with respect selling allotment and reserving right reconsidering your situation subsequent deals"

and responded as follows:

"Naturally regret conclusion but understand your position and deeply grateful for your interest and your reservation for reconsideration with respect to subsequent business Stop In event situation affecting present deal

should change to make possible suggested changes sincerely hope you will bear us in mind Stop Without wishing to make your life burdensome would like to call to your attention today's offering New York Edison bonds in which our name in advertisement, prospectus and registration statement preceded other names having larger underwriting interests If it were possible to effect this result in present Pacific Gas offering without necessarily changing amounts of underwriting interests the continuity of appearance of names would be preserved as in previous Pacific Gas offerings and we would greatly appreciate it In other words from our point of view at the moment the question of appearance is really of more importance than amount Furthermore from your point of view in the eyes of the public we have appeared in first position for the past year as the company's primary bankers My kindest regards"

There is also in the file a letter in confirmation of the telegram. We should discuss this situation with him at the first opportunity and prior to the next piece of business.

S. A. RUSSELL.

FUTURE DIARY—APRIL 1.

To check up on when the next P. G. & E. financing may come along.

EXHIBIT No. 1600-15

[From the files of Lazard Freres & Co. Letter from S. A. Russell to James B. Black]

APRIL 1, 1936.

Air Mail

Mr. JAMES B. BLACK,
President, Pacific Gas & Electric Company,
245 Market Street, San Francisco, California.

DEAR JIM: I heard a rumor today in the "Street" to the effect that you contemplate shortly another issue of about \$30,000,000 which, if true, I presume covers the refunding of Great Western Powers, etc. However, whether or not this is true the job will doubtless come along sooner or later. This prompts me to refer to your telegram of February 27 last, in which you stated you were reserving the right to reconsider our situation in subsequent deals. I certainly don't want you to feel that I am on your back continuously, but needless to say, I would sincerely appreciate it if you would exercise the right of reconsideration so indicated and would accomplish the objective for us as discussed in our telephone conversation at that time.

You will recall in that conversation you were encouraging enough to say, as did Mr. C. E. Mitchell when he talked to us regarding our position in the last piece of business, that that particular deal and group constituted a more or less special situation which did not set a precedent for future financing. I think I need not again go into the reasons which prompt our feeling a sense of justification in suggesting that you give this matter the reconsideration above mentioned. Suffice it to say that we organized, under very real difficulties, the underwriting group which sponsored the initial issue of last year and as you know lead the whole procession of refunding operations and blazed the trail which was subsequently followed by other national houses of issue. At one time or another in each of the three operations of last year there was required real leadership, in the first instance to organize the united support of the group and in the later instances to maintain their support for new offerings at exactly the then existing market. The manner in which those issues were handled served to build a very friendly and cooperative dealer relationship which has contributed largely to the enviable credit position now occupied by the Pacific Gas & Electric Company.

We placed a large amount of the bonds in retail distribution and there is no question of our ability to handle as large a portion of your business as anyone else. In the recent issue we could have placed a great many more bonds; in fact, we not only took our selling group allotment but purchased additional bonds from dealers and in the market, and wound up with a short position due to the require-

ments of our clients which we felt compelled to meet so far as possible. Furthermore, in our price views we were firm throughout in our support of the manager of the account, and in fact, were on the high side.

In conclusion, may I express the hope that you will give this matter your earnest consideration, whether or not the next issue is or is not imminent. With kindest personal regards, I am

Yours faithfully,

_____, *President.*

P. S.—Since writing the above I am told the rumor referred to has appeared on the ticker which presumably gives it some substance.

SAR/hbn

EXHIBIT No. 1600-16

[From the files of Lazard Frères & Co.]

APRIL 13, 1936.

Telegram

LN MR. RUSSELL:

My suggestions follow ur letter to Jim Black quote in our recent conversation. U were encouraging enough to say that the last piece of Pacific Gas & Electric financing constituted a special situation which did not set a precedent for future financing and that U had reserved to yourself entire freedom of action with respect to the order of appearance and the interests of the individual underwriters in subsequent flotations.

It occurred to me, therefore, that U might wish to have before U, in handy manner so to speak, our reasons for believing that we should have an improved position so far as percentage amount of underwriting interests is concerned and certainly an improved position in the advertising.

Prior to the recent issue we had definitely established ourselves in the investment public's mind as the company's bankers. This was a natural result of the successful flotation of three important refunding loans during 1935.

We organized under very real difficulties the underwriting group which sponsored the \$45,000,000 issue of March last year, which as U know led the whole procession of refunding operations and blazed the trail which was subsequently followed by other national houses of issue.

We believe that the terms which we obtained for the company were the most advantageous obtainable at the time and under the circumstances in each case.

The first issue it is true moved soon after public offering to a substantial premium, the group however would not have followed us to a higher price for this issue and, as a matter of fact, it took real leadership to obtain their united support for the terms realized.

The other two issues were offered exactly at the then existing market for the outstanding 4s of 1964.

All three of the issues placed under our leadership met with a highly successful reception and the strong after markets which resulted contributed largely to the enviable position which your company's credit now occupies.

We were also successful in building up a very friendly and cooperative dealer relationship, the importance of which from your company's standpoint you fully realized without emphasis on my part.

As far as retail distribution is concerned we were responsible for the placement among our own customers of blank dollars bonds at the time of original offering, and of course were subsequently identified as a leading market and distributing factor for all outstanding Pacific Gas and Electric issues unquote.

You will also probably wish to comment on your own identification with the business previous to 1935 and the contribution which you and Lazard Freres & Company made in preparation for last year's financing.

HARRISON, L. P.

EXHIBIT No. 1601

[From the files of Blyth & Co., Inc. Letter from Charles R. Blyth to George Lieb]

For Inter-Office Air Mail Use Only

BLYTH & Co., INC.,
San Francisco, September 14, 1935.

Mr. GEORGE LIEB,
New York Office.

DEAR GEORGE: I have read with pleasure more than once your letter of September 6th and now I shall comment on certain points which you raise.

On the question of uniform submission of all proposed commitments by New York to the Executive Committee prior to execution: I tried to write into the Minutes of the last Executive meeting as near an expression of the Executive opinion as I could phrase. I believe the statement is clear. If either Roy or I have ever been unreasonable, I am sure by having that fact pointed out, we did our best to mend our ways. There is no disposition whatever to hamstringing the New York office, or any other office. I haven't the faintest fear that an opinion out of New York, based on the combined judgment of, let us say, Leib, Mitchell, Bashore, Hawes and Lambert, will ever subject us to any real risk of substantial proportions. I think the combined market views of that group may or may not be right, because I think New York's bankers as a whole have a way, at times, of going completely hay-wire, resulting in judgment which is by no means as calm and deliberate and unprejudiced as that which might originate from so distant a point as San Francisco. But I do not believe the occasion will rise enough times to even consider it. I think we should maintain our practice as is now provided in our Manual, but I also think we should be perfectly willing to have exceptions made by you from time to time when conditions prevent your doing otherwise. There is no one more inclined to act independently of the Coast than I am, when I am in New York, and I fully appreciate your feeling and I realize also the necessity which occasionally arises to do that very thing. I believe there is no difference of opinion between us, as to the functions of the Executive Committee.

It is of course a grand experience, particularly for you, to have Charlie Mitchell reveal himself as such a congenial, cooperative, high calibre partner. We fully expected him to be that, otherwise we wouldn't have asked him to join, but expectations and realizations are different, and the latter means something.

Then too, your associate executives, I mean Gene, Stew, Lee and Loring, are all blossoming out in a way which is probably a greater pleasure to us, if such a thing is possible, than to them. It is great to see ability and character developing in these men. This sounds as though they started without either, but you know what I mean.

Your Revere Copper & Brass deal is, among other things, entertaining. Incidentally, I have before me a long letter written by Walton Moore to C. O. G., stating that John S. Logan of Kidder Peabody is his new son-in-law. That said individual wants a position in Pacific Lighting business and is asking his father-in-law to solicit it from C. O. G. Among other statements is this—He (Logan) understood that Blyth & Co. were heading an underwriting group and because of some previous business difference between that firm and his, he did not anticipate an offering to his firm to participate; that it would be a definite feather in his cap if, through him, or his efforts, such an offer were secured. Well, I will pluck that in the bud, so far as C. O. G. is concerned and I am only repeating it for possible interest which it may have.

I assume Kidder will be included to some extent in the selling Syndicate, which I told C. O. G. I thought would be done and I think he in turn will say to Walton Moore that he has taken the matter up with me and he is hopeful we can get them into the business. You are under no commitment to do this, but I assume in the ordinary course of things it will be done anyway.

It will be interesting to see how much of a relationship we shall have with Morgan, Stanley & Co.

Fortunately we are under no pressure with reference to Hearst financing. I quite agree with you that it presents a real problem. What we must specifically appraise is what effect Mr. Hearst's death or incapacity, which, under a reasonable assumption, would take place in a few years, will have on the \$125,000,000 intangible value set up in the Ripley report.

There are a lot of people who believe in Hearst and in the Hearst enterprise, as is evidenced by the holders of some \$40,000,000 Preferred Stock. I do not believe

the proposed issue could be sold, if the interest rate was not well above the going rate of an industrial like Armour, for example. I should think 5% would be the minimum at this time for the issue, but I do not know whether we could sell it at that. Anyway, you have as complete a picture of the whole enterprise in Ripley's report as is possible to get regarding any business and it will be up to us to employ enough brain power to decide whether the business could be done or not.

Allan Pope has been out here and I have seen quite a bit of him. Dean gave him a lunch the first day he was here, inviting a few dealers; the second day I had him for lunch alone. He came in yesterday, after returning from Los Angeles on his way North and raised the question about his participation in Pacific Lighting, about which I wired you. It is of no particular moment to me what I tell him, but I hope I shall have some answer from you this morning so I can tell him something.

I have your letter advising that Mr. Mathews will be in town presently. I shall endeavor properly to handle him.

I saw a great deal of Jim Black while he was here. Allen gave him one of those stuffed-shirt lunches, at which our "representative men" were there. But I thought one was enough. Jim and I played golf one day and he was in the office six or eight times, chatting over various matters. Nobody could be nicer, more friendly, or more anxious to help, but as I said before, I think there is a North American policy which interferes with any of them going to the extreme limit which we would like. I think you can rest assured the joint management of P. G. & E. financing will be a reality the next time, but it will be a reality as much because of Stanley Russell's acquiescence as anything. Possibly he realizes that the real shooting is over for some time to come and maybe now that the jam has been removed from the casket it is all right to share the casket.

Frank Anderson was 72 years old on his last birthday. He is losing ground rapidly, and I imagine won't last very many more days.

I have been having some very interesting preliminary talks with the American Trust Company, about which no one knows anything except Roy. It is all too nebulous as yet to do anything, but I will say it begins to look as if we might move in. Please do not say anything to Odum on this subject, if you should happen to run across him.

I am in receipt of your letter of the 12th regarding the proposed make-up of the Anaconda Syndicate, which is very interesting. I told Charlie when I last talked to him on the phone that I was sorry we hadn't been a little more daring and taken a \$10,000,000 position in the Anaconda business, but he told me the demands from others were such that certainly there was no chance of extending ourselves and probably it is wiser anyway. I agree with you that is the most important piece of business we ever did, particularly because of the hand-outs we could give to our contemporaries and at the same time sit on top of the heap. I shall advise A. P. and Dean of their interest and if any objections are advanced I will endeavor to smooth them out.

I should think if the Los Angeles Gas financing materializes, which it should, we can do much the same thing again and thereby build up some real obligations to us.

Bob Miller is going East by plane Tuesday night. He goes first to Washington, I think, but will doubtless be in New York for awhile. I haven't any particular suggestions by way of having you adopt the same policy that I have adopted. You know of course that Bob is subject to periodic changes of mind. He doesn't mean to change any deal as agreed upon, but he does come forth with occasional and sometimes a little pressing suggestions for modification. I haven't definitely got his agreement on the 2½ point spread on the Los Angeles Gas Bonds, but I have every belief that we shall get 2½ points. I did not want to engage in any discussions on this subject until the time comes and then I want to put it right to him pretty directly that what we are asking is the fair and proper compensation and not one which necessarily favorably competes with all others in similar operations. I think Bob is entirely resigned to having us determine what individual firms are included in the group. For a time he seemed to take some notice of who they were and perhaps Bernard was inclined to discuss individual houses a little too much. It is quite natural that Bernard is at somewhat of a disadvantage in dealing with Bob and C. O. G., whereas both of them are inclined to accept our statements without a lot of conversation.

Best always,

CHARLEY.

CRB
H

EXHIBIT No. 1602

[From the files of The City Company of New York, Inc., in dissolution, formerly the National City Company]

\$25,000,000 Pacific Gas and Electric Company, First and Refunding Mortgage Gold Bonds, Series F, 4½%, Due June 1, 1960

[Date released, July 28, 1930]

ORIGINAL TERMS PARTICIPANTS

Name	Participation	%
National City Company (Manager).....	18,125,000	32.50
Blyth & Co., Inc., New York.....	5,000,000	20.00
American Securities Co., San Francisco.....	4,062,500	16.25
H. M. Byllesby & Co., Chicago.....	4,062,500	16.25
E. H. Rollins & Sons, New York.....	1,875,000	7.50
Peirce Fair & Co., San Francisco.....	1,875,000	7.50
	25,000,000	100.00

1 J. P. Morgan & Company and the First National Bank of New York each were given a one-quarter interest in our participation.

Compiled from records of The City Company of New York, Inc., in dissolution (formerly The National City Company).

\$25,000,000 Pacific Gas and Electric Company, First and Refunding Mortgage Gold Bonds, Series F, 4½%, Due June 1, 1960

DISTRIBUTING GROUP

Name	City and State	Participation
California Securities Co.....	Los Angeles, Calif.....	50,000
Citizens National Co.....	do.....	50,000
Security First National Co.....	do.....	50,000
Anglo California Trust Co.....	San Francisco, Calif.....	50,000
Crocker First Company.....	do.....	150,000
National Bankitaly Co.....	do.....	50,000
Messrs. Tucker, Hunter, Dulin & Co.....	do.....	100,000
Dean Witter & Co.....	do.....	200,000
First National Co.....	Atlanta, Ga.....	25,000
Citizens & Southern Co.....	Savannah, Ga.....	25,000
Brokaw & Co.....	Chicago, Ill.....	50,000
Central-Illinois Co.....	do.....	50,000
First Union Trust & Savings Bank.....	do.....	150,000
Foreman State Corporation.....	do.....	50,000
The Northern Trust Co.....	do.....	50,000
Lawrence Stern & Co.....	do.....	50,000
Whitney Trust & Savings Bank.....	New Orleans, La.....	25,000
Alex. Brown & Sons.....	Baltimore, Md.....	100,000
Atlantic Corp. of Boston.....	Boston, Mass.....	50,000
The First National Old Colony Corp.....	do.....	100,000
The Shawmut Corp. of Boston.....	do.....	50,000
Tucker, Anthony & Co.....	do.....	50,000
United States Tr. Sec. Corp.....	do.....	25,000
First Detroit Company, Inc.....	Detroit, Mich.....	50,000
Guardian Detroit Co., Inc.....	do.....	50,000
Banc Northwest Co.....	Minneapolis, Minn.....	50,000
Wells Dickey Co.....	do.....	50,000
First Securities Corp. of Minn.....	St. Paul, Minn.....	50,000
Commerce Trust Co.....	Kansas City, Mo.....	25,000
First National Co.....	St. Louis, Mo.....	25,000
Mercantile-Commerce Co.....	do.....	25,000
Anglo-London-Paris Co.....	New York, N. Y.....	100,000
Bankers Company of New York.....	do.....	200,000
C. D. Barney & Co.....	do.....	50,000
Bonbright & Co., Inc.....	do.....	400,000
Brown Brothers & Co.....	do.....	200,000
Chatham Phenix Corp.....	do.....	100,000
Chemical National Co., Inc.....	do.....	100,000
Continental Illinois Co., Inc.....	do.....	200,000
Dominick & Dominick.....	do.....	50,000
Du Bosque, George & Co.....	do.....	25,000

\$25,000,000 Pacific Gas and Electric Company, First and Refunding Mortgage Gold Bonds, Series F, 4½%, Due June 1, 1960—Continued

Name	City and State	Participation
Eastman, Dillon & Co.	New York, N. Y.	50,000
Field, Gloré & Co., Inc.	do.	50,000
Hambleton & Co., Inc.	do.	50,000
Hemphill, Noyes & Co.	do.	100,000
Hibernia Securities Co., Inc.	do.	25,000
Ingraham & Ashmore, Inc.	do.	25,000
Kean, Taylor & Co.	do.	50,000
W. C. Langley & Co.	do.	500,000
Minsch, Monell & Co., Inc.	do.	50,000
G. M. P. Murphy & Co.	do.	50,000
G. L. Ohrstrom & Co., Inc.	do.	50,000
L. F. Rothschild & Co.	do.	50,000
Edward B. Smith & Co.	do.	50,000
Spencer, Trask & Co.	do.	75,000
Marine Trust Co. of Buffalo	Buffalo, N. Y.	50,000
First National Bank	Cincinnati, Ohio	50,000
Hayden Miller & Co.	Cleveland, Ohio	50,000
Hord, Curtis and Co.	do.	25,000
Mitchell, Herrick & Co.	do.	25,000
The Union Cleveland Corp.	do.	50,000
Banc Ohio Securities Co.	Columbus, Ohio	50,000
Cassatt & Co.	Philadelphia, Pa.	200,000
Graham, Parsons & Co.	do.	100,000
The Philadelphia National Co.	do.	50,000
Thayer, Baker & Co., Inc.	do.	50,000
First National Bank	Pittsburgh, Pa.	50,000
Mellon National Bank	do.	100,000
Peoples Pittsburgh Trust Co.	do.	50,000
The Union Trust Co.	do.	100,000
First Seattle Dexter Horton Sec. Co.	Seattle, Wash.	50,000
Pacific National Co.	do.	50,000
First Wisconsin Company	Milwaukee, Wisc.	50,000
Blyth & Co., Inc.	New York, N. Y.	5,625,000
American Securities Co.	San Francisco, Calif.	3,875,000
H. M. Byllesby & Co., Inc.	Chicago, Ill.	3,148,500
E. H. Rollins & Sons	New York, N. Y.	1,453,000
Peirce, Fair & Co.	San Francisco, Calif.	1,453,000
The National City Co.		6,297,000
		25,000,000

Compiled from records of The City Company of New York, Inc., in dissolution (formerly The National City Company).

EXHIBIT No. 1603

\$25,000,000 Pacific Gas and Electric Company, First and Refunding Mortgage Gold Bonds Series F, 4½%, Due June 1, 1960

[Date released, January 12, 1931]

Name	Participation	%
National City Company (Manager)	18,750,000	35.00
Blyth & Co., Inc., New York	5,625,000	22.50
American Securities Co., San Francisco	4,062,500	16.25
H. M. Byllesby & Co., Inc., New York	4,062,500	16.25
E. H. Rollins & Sons, New York	1,250,000	5.00
Peirce, Fair & Co., San Francisco	1,250,000	5.00
	25,000,000	100.00

¹ J. P. Morgan & Company and the First National Bank of New York each were given a one-quarter interest in our participation.

Compiled from records of The City Company of New York, Inc., in dissolution (formerly The National City Company).

\$25,000,000 Pacific Gas & Electric Company, First and Refunding Mortgage Gold Bonds, Series F, 4½%, Due June 1, 1960

Name	City and State	Participation
California Securities Co.	Los Angeles, Calif.	50,000
Citizens National Company	do.	50,000
Security First National Company	do.	100,000
Anglo California Trust Co.	San Francisco, Calif.	50,000
Bankamerica Company	do.	50,000
Crocker First Company	do.	150,000
Tucker, Hunter, Dulin & Company	do.	100,000
Dean Witter & Co.	do.	250,000
First National Company	Atlanta, Ga.	65,000
Citizens & Southern Company	Savannah, Ga.	25,000
Central-Illinois Company	Chicago, Ill.	50,000
First Union Trust & Savings Bank	do.	150,000
Foreman State Corporation	do.	100,000
The Northern Trust Company	do.	75,000
Lawrence Stern & Co.	do.	50,000
Whitney Trust & Savings Bank	New Orleans, La.	25,000
Alex. Brown & Sons	Baltimore, Md.	100,000
Atlantic Corporation of Boston	Boston, Mass.	50,000
The First National Old Colony Corp.	do.	100,000
The Shawmut Corp. of Boston	do.	50,000
First Detroit Company, Inc.	Detroit, Mich.	100,000
Guardian Detroit Company, Inc.	do.	100,000
Wells-Dickey Co.	Minneapolis, Minn.	50,000
First Securities Corp. of Minn.	St. Paul, Minn.	100,000
Commerce Trust Company	Kansas City, Mo.	25,000
First National Company	St. Louis, Mo.	25,000
Mercantile-Commerce Company	do.	25,000
Anglo-London-Paris Company	New York City	100,000
Bankers Company of New York	do.	500,000
C. D. Barney & Co.	do.	50,000
Bonbright & Company, Inc.	do.	300,000
Brown Bros., Harriman & Co.	do.	250,000
Chatham Phenix Corporation	do.	100,000
Chemical Securities Corp.	do.	100,000
Continental Illinois Company, Inc.	do.	250,000
Dominick & Dominick	do.	50,000
DuBosque, George & Co.	do.	25,000
Eastman, Dillon & Company	do.	50,000
Field, Gloré & Co., Inc.	do.	50,000
Guaranty Company of New York	do.	750,000
Hemphill, Noyes & Co.	do.	100,000
Ingraham & Ashmore, Inc.	do.	25,000
Kean, Taylor & Co.	do.	50,000
W. C. Langley & Co.	do.	500,000
Lee, Higginson & Co.	do.	500,000
Minsch, Monell & Company, Inc.	do.	50,000
G. M. P. Murphy & Co.	do.	50,000
G. L. Ohrstrom & Company, Inc.	do.	50,000
L. F. Rothschild & Co.	do.	50,000
Edward B. Smith & Co.	do.	100,000
Stone & Webster and Blodget, Inc.	do.	50,000
Spencer Trask & Co.	do.	75,000
Marine Trust Co. of Buffalo	Buffalo, N. Y.	75,000
First National Bank	Cincinnati, Ohio	50,000
Hayden Miller & Company	Cleveland, Ohio	50,000
Hord Curtis and Company	do.	25,000
Midland Corporation	do.	25,000
Mitchell, Herrick & Co.	do.	25,000
The Union Cleveland Corporation	do.	75,000
Banc Ohio Securities Company	Columbus, Ohio	50,000
Cassatt & Company	Philadelphia, Pa.	200,000
Graham, Parsons & Co.	do.	100,000
Janney & Company	do.	25,000
The Philadelphia National Co.	do.	50,000
Thayer, Baker & Company, Inc.	do.	50,000
First National Bank	Pittsburgh, Pa.	50,000
Mellon National Bank	do.	100,000
Peoples Pittsburgh Trust Co.	do.	50,000
The Union Trust Company	do.	100,000
First Seattle Dexter Horton Sec. Co.	Seattle, Wash.	100,000
Pacific National Company	do.	50,000
First Wisconsin Company	Milwaukee, Wisc.	100,000
Blyth & Co., Inc.	New York City	7,590,000
American Securities Co.	San Francisco, Calif.	3,917,000
H. M. Byllesby & Co., Inc.	New York City	2,829,000
E. H. Rollins & Sons, Inc.	do.	2,829,000
Pelree, Fair & Co., Inc.	San Francisco, Calif.	871,000
The National City Company	do.	871,000
		6,093,000
		25,000,000

Compiled from records of The City Company of New York, Inc., in dissolution, (formerly The National City Company).

EXHIBIT No. 1604

[From the files of The Cleveland Trust Company]

EUGENE M. STEVENS,
*Vice Chairman.*BLYTH & Co., INC.
135 SOUTH LA SALLE STREET
Cable address: BLYTHCO

CHICAGO, April 14, 1936.

MR. HARRIS CREECH,
*President, The Cleveland Trust Company,
Cleveland, Ohio.*

DEAR MR. CREECH: It was a real pleasure to see you again the other day, and to meet your associates again at luncheon. I am very grateful to you for the time which you gave me and your courtesy to me.

I understand that you are proceeding with the exploration of the necessary legal procedure in connection with the refunding of the capital debentures of your bank held by the R. F. C. If, in connection with such investigation, you desire to confer with our counsel, and will so advise me, I will be glad to arrange it. It does seem to me that from the standpoint of a banker, this is a very sound operation and I am convinced that my present firm is exceptionally well equipped to handle such financing, and in a way which would be entirely agreeable to you and your great institution. I can give you my personal assurance to this end. I hope, therefore, that when you are ready to discuss this matter further, that you will let me know.

With respect to the other matter which we discussed and the evident feeling on the part of the Treasurer of the interested corporation, that the business of the National City Company had been inherited by Brown, Harriman & Co., I have this to say, based on advices I have had direct from Mr. Charles E. Mitchell, formerly the head of the National City Company and the National City Bank, who is now Chairman of our firm.

As a matter of fact, no New York firm has inherited the right to the National City Company business. Brown, Harriman & Co. have in their organization a number of former National City men, but Brown Bros., Harriman & Co., the banking firm who started their investment banking business with a union of former Brown Bros. and National City men, paid nothing to the National City stockholders for the Company's good will, and have positively no claim of inheritance. Other investment banking firms, also, are now manned by former National City men, including our own firm—not only in New York but scattered across the country. As I have said, Mr. Mitchell, the Chairman of our Board, was formerly the head of the National City Company and of the National City Bank, and is responsible for the development of the National City Company from a three man personnel to a point where it had become the largest organization of its kind in the country, all of which was entirely under his leadership. He, in fact, was ultimately responsible for the negotiation and consummation of the pieces of financing which the National City Company did. It would definitely appear, therefore, that if there is any claim for the National City business as a heritage, that we could make such a claim—perhaps on better grounds than any other investment banking firm.

I remember this point came up in our discussion and I am giving you this definite information in regard thereto. I shall be glad to hear from you when you have talked with Mr. Shea, or in case anything further develops along these lines. I am always prepared to come to Cleveland at any time when you would like to discuss any of these matters further.

With cordial personal regards, I am

Sincerely yours,

EUGENE M. STEVENS.

EMS.G

EXHIBIT No. 1605

[From the files of The Cleveland Trust Company]

EUGENE M. STEVENS,
*Vice-Chairman.*BLYTH & Co., INC.,
135 SOUTH LA SALLE STREETCable address: BLYTH CO
CHICAGO, October 14, 1936.Mr. HARRIS CREECH,
Jr., *Cleveland Trust Company, Cleveland, Ohio.*

MY DEAR MR. CREECH: Is there anything new in the Firestone situation, about which I have talked to you once or twice?

You will recall that I went down to see Shea in the latter part of July, and he advised me that the whole matter was deferred, but with the implication that he felt that he had certain obligations to another banking house, which I am quite sure was Brown, Harriman & Company. This, you will remember, appeared to be based on Joe Ripley of Brown Harriman having sold Shea on the idea that Brown Harriman had inherited the National City business. This, of course, is not a correct assumption, as neither Brown Harriman nor anyone else has ever paid a dollar to the National City Company for its good will. Whatever there was of inheritance, and certainly from the standpoint of the individuals concerned, we should inherit the business more fully through Mr. Mitchell and others in our firm than any other banking house.

Both Mr. Mitchell and I feel very strongly that we can make them a proposition as to terms and price which would be more advantageous to them than they can obtain any where else, and the question with us is how to get this to Mr. Firestone's personal attention in an endeavor to show him that we have and can sell to the public a higher appreciation of the credit of his company through our direct association with him. Mr. Mitchell or myself, either of us, would be glad to talk to Mr. Firestone personally along these lines when it can be arranged, and to make him a very definite proposition, if he is so minded. It is a little difficult to do this by correspondence without a thorough understanding of just what he wants. If he is still minded to use \$40,000,000, I think this can be arranged on a more attractive basis to him than we could have talked last spring.

I venture to speak my mind freely to you, primarily, to learn what the present status of the situation is, and because I feel so strongly that we are in a position to submit a proposition which would be distinctly to the advantage of the company and to those interested in it, including yourself.

Cordial regards.

Sincerely yours,

EUGENE M. STEVENS.

EMS:WG

EXHIBIT No. 1606

[From the files of Blyth & Co., Inc., Letter from George Leib to James Black]

FEBRUARY 21, 1935.

JAMES BLACK, Esq.,
% North American Company, 60 Broadway, New York City.

DEAR JIM: As you know, Elsey and the American Trust would like to have us heirs to their sixteen percent interest in the Pacific Gas business. This, coupled with our historic connection with the business, would appear to entitle us to head this account, particularly in view of the fact that the old National City Company has no heir (according to public statement of its President, James Parkins); and further in view of the fact that even if there is a heir, the legacy has been split between Brown Harriman and Lazard Freres.

Giving no consideration to Hock's personal feelings for Stanley Russell, the following syndicate would seem to us to be the logical syndicate, and one in which the interests of the Pacific Gas & Electric Company would be best served:

Blyth & Co., Inc.	29%
Brown, Harriman & Co.	19%
Lazard Freres	19%
First Boston Corporation	7½%
E. B. Smith & Co.	7½%
Witter & Company	5%
E. H. Rollins & Sons	5%

In this account, you will notice that I have simply taken the old National City percentage interest and divided it between Brown Harriman and Lazard Freres, which is the only possible, fair treatment to be given to this situation.

As it is always necessary to give consideration to the practicabilities of situations, and as we must give consideration to Hock's personal desire to favor Stanley Russell and his new firm (Lazard Freres), I believe that the following syndicate would give the Pacific Gas & Electric Company a good syndicate, and would give the heirs to the National City Company business (if there are such heirs) a tremendous increase in their percentage interest

Blyth & Co., Inc.	25%
Brown Harriman & Co.	25%
Lazard Freres	25%
First Boston Corporation	7½%
E. B. Smith & Co.	7½%
Witter & Company	5%
E. H. Rollins & Sons	5%

I believe that we represent the best balanced outfit in the syndicate. We have our own wire and private telephones to Boston-Philadelphia-Cleveland-Chicago-San Francisco-Los Angeles-Portland-Seattle. We use these wires and telephones exclusively. No one else is on them.

We have nineteen offices, and we have one hundred and twenty-five salesmen.

We have a large dealer following as we trade daily with most of the important dealers throughout the country.

Our historic connection with Pacific Gas & Electric Company dates back many years, and we have not changed our identity throughout the past few years.

I believe that Blyth & Co., Inc. should head this syndicate. We appear to be the logical selection from every standpoint.

I shall keep you advised of developments.

Sincerely yours,

GLJD.

EXHIBIT No. 1607

[From the files of Blyth & Co., Inc.]

Western Union

DAY LETTER

FEBRUARY 15, 1935.

CHARLES R. BLYTH,

Russ Building, San Francisco, Calif.:

Patterson states Frank Anderson talked to him in California about value of California banking houses to California underwritings and deplored occasional invasion of California business by eastern houses. Would it possible for you telephone him and solicit his advice regarding this business? Possibly Bernard could telephone COG on same basis. I believe both these men would be flattered and keenly interested helping us obtain senior position this business. Certainly it would allow us say to Russell we would like delay for few days in order have additional conversations with Anderson and Miller and I don't think Hock would insist upon closing if he knew those conversations going on between them and us. Seems to us we have everything to gain by delaying for week or so and nothing to lose. Stop heading business and 37½% interest might be line along which we should fight for week or so. Only person who must have speed is Russell. Will advise you soon as we hear from Fogarty. Bashore sending you wire in few minutes regarding banking ideas our 37% interest.

GEORGE LEIB.

EXHIBIT 1608

[From the files of Blyth & Co., Inc. Letter from Charles R. Blyth to George Leib]

For Inter-office Air Mail Use Only

BLYTH & CO., INC.,

MR. GEORGE LEIB,

San Francisco, February 16, 1935.

New York Office:

DEAR GEORGE: I think there is little to add to what we have said over the phone with regard to P G & E financing. I realize how difficult it is for you to visualize exactly what has transpired, and I will say it came as a surprise to us, because both Roy and I have attempted to keep in touch with Hock and thought he would at least mention to us any intention he had in starting negotiations.

The fact is, he and Stanley are close buddies. He considers Stanley and not the National City or anybody else the Banking agency which created the original mortgage and has acted in the financial interest of the Company ever since. He stated that to us yesterday and said Stanley knows more than any living person other than himself, about P G & E financial matters. Hock also said, when we urgently agitated our heading the business that he had gone too far now with Stanley to reverse himself.

You know, and I do, that all of the directors of P G & E have encouraged Hock to accept, and repeatedly placed upon him the full, unrestricted responsibility of making his financial arrangements. With this background, naturally Hock proceeded with Russell and while never intending to keep us out of the business, on the other hand intending we should be substantially in it, he did propose to proceed with the program quite considerably before advising us.

There is no sense whatever in being other than extremely cooperative and cordial with Russell. Any other policy would be highly unproductive of results. What degree of value Lazard or any other single banking organization will be to us in future accounts has no bearing on our attitude toward Russell in the P G & E business, except of course I do not refer to the value of certain firms against others, whom we jointly (if a joint arrangement can be put across) will invite into the business.

I have your wire and will do all I can in the way of including the names which you suggest and I think without doubt we can fully talk over the program before the individuals are definitely approached, at least that is true if Stanley and ourselves are joint account as originators.

I fully appreciate your desires with reference to Brown Harriman and I am sure they are right, but at the moment I am sure and we all are sure it will be unwise to attempt to tell Brown Harriman how much we want them in the business, even though it is the honest truth, until we are definitely clear with Russell. I may not hear from Russell today, but he is coming down to the country tomorrow and will certainly have something further to say then.

I assume you are familiar with the work which Loring Hoover is doing. I refer particularly to such things as the New England Fiber Blanket Company. Possibly Loring is following this in the belief that the business might be of some interest to some of us individually. That of course is wrong, because his activities should be concentrated on business for the firm. This is a very small company, with a declining record of earnings, engaged in a specialty business, which may or may not be in process of being supplanted by some other kind of product. The very size and general aspect of it is such that it would not lend itself to any sort of public financing and if we were seriously to consider it, would take us right back to the days when we were handling junk.

I have tried to write a diplomatic and understanding letter to Loring, stating that we are rather indifferent to small operations, believing they present much greater hazards than larger operations and that innovations are rather hard to handle anyway. This subject is difficult to handle by correspondence and if you could say something to him that will cause him to think we are not showering him with wet blankets on every occasion, it may serve to not get him too discouraged. I realize a man coming into this organization as he has, finds few immediate opportunities to produce any real results and is therefore apt to clutch at all sorts of straws in an effort to demonstrate his creative ability. I am returning the data herewith so that, if you haven't seen it, you may look it over and you will know more of what I am talking about.

Best always,

CHARLEY.

CRB
H

EXHIBIT No. 1609

[From the files of Blyth & Co., Inc.]

Western Union

"DAY LETTER"

FEBRUARY 19, 1935.

CHARLES R. BLYTH,

% Blyth & Co. Inc. 215 W. 6th St., Los Angeles, Calif.:

Just came from long talk with Jim Black. I clearly outlined our position in whole matter stop Off the record Jim thinks Brown Harriman attitude completely untenable. Fogarty out town. Sent you airmail letter this morning to San Francisco regarding our views Harriman ultimatum which I understand will be delivered through Russell. Think we should handle wholesaling and syndication for joint account as we have facilities. Russell to handle negotiations with company. Think we should be able trade splendid deal with Russell regarding appearance etc. because he certainly on weak ground not having single friend in court except Hock.

GEORGE LEIB.

EXHIBIT No. 1610

[From the files of Blyth & Co., Inc.]

Western Union

"NIGHT LETTER"

FEBRUARY 19, 1935.

CHARLES R. BLYTH,

Russ Building, San Francisco, Calif.

I forgot to tell you that I told Brown Harriman yesterday that Russell had told us he had an agreement with them under which he would handle all of his own accounts. Sylvester said yes but the understanding was that if Hock wanted him to head account we were to have second position and equal percentage with Russell. In other words these two without any consideration of us simply took first two positions in business. It would serve them both right if we went in there and insisted upon heading business ourselves and I believe we could come awfully close to putting it over.

GEORGE LEIB.

EXHIBIT No. 1611-1

[From the files of Blyth & Co., Inc.]

Western Union

"DAY LETTER"

FEBRUARY 20, 1935.

CHARLES R. BLYTH,

Russ Bldg., San Francisco, Calif.

Am sure several directors and large stockholders have doubts regarding advisability Lazard heading jointly Pacific business. In view fact we not encouraging these doubts thereby standing with Russell seems unbecoming for him tell Brown he strongly in favor giving them second position but we standing in way. This results turning Brown against us. Reason Russell taking this position is because he had agreement about which he did not tell us that if Hock elected Lazard to head business then Brown was to have second position with equal percentage interest. Russell playing game which is going to result in Blyth sort of being enemy of everyone and Russell everyone's friend. Think we should have immediate showdown with him and if he wants poison Brown's ear we should know it. I again suggest if we are to have joint management no discussion be had with other houses and no telegrams be sent or shown other houses without our joint approval.

GEORGE LEIB.

EXHIBIT No. 1611-2

[From the files of Blyth & Co., Inc.]

Western Union
"DAY LETTER"

FEBRUARY 21, 1935.

CHARLES R. BLYTH,
Russ Building, San Francisco, Calif.

Ben Clark told me last night of terrific trouble he has had with Brown on their position in National Steel. Said he simply had to get up on hind legs and fight otherwise would have been crowded out picture entirely.

I think time has come for us show our teeth and attempt take leadership away from Lazard. Russell obviously trading in interests Brown and I believe manly theory fight is only way to obtain proper recognition. Hock's and Russell's position weak and ours strong. I know if we accept second position we would distinctly weaken our position and if we accept third position would be disgraceful and I for one would not be able hold my head up with my own associates here.

LEIB.

EXHIBIT No. 1611-3

[From the files of Blyth & Co., Inc.]

Western Union
"DAY LETTER"

FEBRUARY 21, 1935.

CHARLES R. BLYTH,
Russ Building, San Francisco, Calif.:

Hock suggested possibility joint account which you and Roy accepted. Russell accepted this in its entirety as far as he was concerned and Elsey was favorable.

Now after two days silence Russell comes back and suggests we take third position.

Whole thing simply does not make sense and is insulting to our intelligence and standing as a firm.

Have told all this to Jim Black and told him we simply cannot understand picture. He is equally mystified. I have explained to him importance this syndicate to company because unquestionably this is way syndicate will stand for years to come. He agrees.

He is talking with Hock daily but so far personnel of syndicate has been only vaguely discussed.

This is most important piece negotiation Blyth has had in years. If we miss making game on this hand with all honors we hold then there is something wrong with us.

LEIB.

EXHIBIT No. 1611-4

[From the files of Blyth & Co., Inc.]

Western Union
"DAY LETTER"

FEBRUARY 21, 1935.

CHARLES R. BLYTH,
Russ Building, San Francisco, Calif.:

I have just returned from hour and half talk with Jim Black. I have just sent following letter to him by hand:

Quote Confidentially this is syndicate which I think would be best from standpoint both Pacific Gas and its stockholders: Blyth Lazard Brown each 25%

first Boston and E. B. Smith 7½% each and Witter Rollins each 5%. I believe we represent best balanced outfit in syndicate having own wires and private telephones to Boston Philadelphia, etc. which we use exclusively. We have 19 offices and 125 salesmen. We have large dealer following throughout country. Our historic connection with Pacific Gas dates back many years. I believe we should head syndicate as we are logical selection from every standpoint. Shall keep you advised developments. Unquote.

LEIB.

EXHIBIT No. 1611-5

[From the files of Blyth & Co., Inc.]

Western Union

"NIGHT LETTER"

FEBRUARY 22, 1935.

ROY L. SHURTLEFF,

% Blyth & Co., Inc., Russ Building, San Francisco, Calif.:

Situation now at impasse with each banker refusing give way. Therefore Hock must settle positions and interests after consultation his directors and important stockholders.

Jim Black has written to Earle who represents them on board. Miller will certainly go to bat for Bernard and us. Therefore we have two largest stockholdings on our side also we have right on our side.

Think we should again tell Elsey possibly through Toms and Lockheed that as most important western house doing business with his bank we naturally expect him stand with us. Then you should see Anderson again explain our position and explain exactly what Lazard trying do to us. Anderson has always been strong for western banking houses against eastern interests.

Do not believe Hock will again go against North American and Miller interests as he did when he cut dividend. Am confident we here can hold North American steadily with us if you fellows on coast can hold Miller and possibly some of other directors. It looks like cinch to me.

Have no concern about Brown dropping out. They will not do so regardless of whether they have first or third position. It is purely bluff. Naturally Russell could gain their gratitude if he can crowd them in second position. However if Hock says it is going to be our way and no other way Russell's skirts are cleared.

It is time for Hock to take leadership. Please show this to Bernard.

GEORGE LEIB.

EXHIBIT No. 1611-6

[From the files of Blyth & Co., Inc.]

Western Union

"DAY LETTER"

FEBRUARY 22, 1935.

BERNARD W. FORD,

1235 Ralston Ave., Burlingame, California:

Delighted hear you in the fight. I know you will be firm as Rock Gibraltar and trade hard.

We have big hand Bernard and as winning poker player of years' standing I know you will not let them bluff you out with such a hand. We have everything to gain and nothing to lose so go to it old boy.

Am sending you another telegram which you might like show to Cog Roy and possibly one or two Pacific Gas directors. I do not see Lazard or any of the eastern bankers doing any real work in support of utilities.

Love to Marion.

GEORGE LEIB.

EXHIBIT No. 1612

[From the files of The First Boston Corporation]

[Copy]

FIRST OF BOSTON CORP., WIRE DEPT. No. 1.

WOODS, I.A., Mar. 23, 1935.

Have just finished long harangue Stanley Russel who has been in contact Baur by Tel and Tel Stop He presented Addinsell with same arguments he gave us L. A. and while not so belligerent certainly will put up strong argument for position ahead Brown Harriman. Will surely contact Bauer by telephone today. Subsequently Joe Ripley called up and came over and we gave him usual song and dance referring him to Bauer but asked his impression of understanding with Stanley vis a vis business formerly participated in but not headed by City Co. Stanleys statement to Harry and me today exactly opposite R plays understanding. This for your information when feathers start to fly on Monday. We will be ready submit Monday after Bauer rings bell first ten or twelve names of group but should know just how Bauer feels about position of Blythe. Your wire regarding Howe just arrived. I talked Snow this morning who primarily called to object to being cut down to ten percent which information he got over telephone from Howe. I told him nothing. Regarding possibility their being upped or participating formally in discussions make up of syndicate. No one here has much patience this idea particularly latter. As matter of fact great question our minds whether they should have ten percent. I will be at farm tonight leaving office shortly home at three p. m. but you could call me eight thirty our time Lebanon New Jersey 32 repeat Lebanon N J 32. Can you get idea Bauer whether he will want Smith name ahead of Brown and/or Lazard. Personally dont see why unless Bauer insists.

GEORGE RAMSEY.

UPPED.

RL.

EXHIBIT No. 1613

[From the files of Blyth & Co., Inc.]

Charge to: Blyth & Co., Inc., 120 Broadway.

Western Union
"DAY LETTER"

BERNARD W. FORD,
2135 Ralston Ave., Burlingame, California:

FEBRUARY 22, 1935.

Apropos our conversation yesterday Loring Hoover in Washington with Fogarty and other utility executives in fight on Rayburn bill.

Plan now is to have another bill introduced which will be moderate and proper and then Blyth & Co. will immediately organize dealers of country to approach people to whom they have sold utility securities to wire their Senators and Representatives to favor this new bill. Believe we can put seventy-five thousand telegrams in Washington within twenty days by this method our data, letters to dealers, etc., now and we going to it tooth and nail.

Utilities have been our best friends and it certainly is time for us give them complete support.

Confidentially tried, organize I. B. A. but encountered usual vacillation inertia and timidity, so we are going it alone.

Best always.

GEORGE LEIB.

EXHIBIT No. 1614-I

[From the files of Blyth & Co., Inc.]

SAN FRANCISCO, CALIF., February 25.

GEORGE LEIB,

Blyth & Co., Inc.:

Hock called on Cog Saturday Stop Deal not closed and will not several days Russell evidently told Hock only two could head business which I interpret mean have top line advertising told Cog this was not so that three can have

top line position but that we want it and that it is very important for us. Stop Discussion of capital arose and Cog has asked me to determine Lazard Freres capital wants information by two our time Tuesday. Stop Am confident our position improving.

FORD.

EXHIBIT No. 1614-2

[From the files of Blyth & Co., Inc.]

MARCH 4, 1935.

Leib bn gas synd rounding into shape nicely has been agreed. Lazard BH Blyth head biz on first line in east and Lazard Blyth and BH in west step Russell now discussing with Hock inclusion of Witter Rollins and psbly Byllesby * * * * *¹ will cut the three major participants proportionately we are to be given courtesy inviting Dean Witter in and psbly Rollins. They are aiming complete registration statement Tuesday altho directors hv not yet definitely decided on a deal nor whether if there is a deal it will be serial or long term 4s our px views on latter did not prevail and discussion with company has been on basis offering price 97½ stop this is OK because it tends force them toward the serial which we much prefer Russell unwilling talk yet regarding synd so that points in Bashores wire will pbly have to be taken up with him when he arrives East which will pbly be end of week shut bs.

EXHIBIT No. 1614-3

[From the files of Blyth & Co., Inc.]

MARCH 4, 1935.

BASHORE, BN:

Russell enroute N. Y. so no further PGE negotiations here Beckett advises has mailed prospectus registration statement to you we have one here stop came no conclusion re synd with Russell so matter must be ironed out in N. Y. with Jack Harrison Russell foned Saturday had recd wire from Harrison questioning if our activity in pub util bill wld not affect our standing in PGE synd stop seems ridiculous to me but you mite check Harrison as to what he had in mind shut bs.

EXHIBIT No. 1614-4

[From the files of Blyth & Co., Inc.]

MARCH 5, 1935.

LEIB, B. N.:

Gas synd now I tnk, finally set, altho bonds have not yet been bought. The three major participants have given up proportionately to include others. Synd now is LF, BH and Blyth each 20 pct. First Boston Smith 10 pct. Stop Witter, Byllesby Bonbright and Rollins each 5 pct. Understand Hock has agreed to above. Stop We had opportunity protest Bonbright but after Hock Brown Harri and Lazard had approved so we thot best not protest. Stop We invited Witter this morning. Stop Bonbrights man Mitchell getting invitation today from Russell in our joint names.

SHURT BS. . B.

EXHIBIT No. 1614-5

[From the files of Blyth & Co., Inc.]

MARCH 14, 1935.

LEIB, BN:

Pac. Gas & Elec.:

It was agreed by Russell and myself that there was to be a three way heading of Pac. Gas Elec. business altho there was no concrete definition of what heading

¹ Copy illegible.

meant. Stop I understand it meant equal management and equal voice in selection of participants, determination of price, and the amounts withdrawn by each original underwriter for retail. No memorandum was made on the subject however.

SHURT BS.

EXHIBIT No. 1614-6

[From the files of Blyth & Co., Inc.]

PRIVATE WIRE—OUTGOING

BLYTH & Co., INC.

MARCH 14, 1935.

SHURTLEFF, BS.:

Was any management fee to Lazard discussed. We have not taken this up yet but will unquestionably do so tomorrow.

LEIB.

EXHIBIT No. 1614-7

[From the files of Blyth & Co., Inc.]

Private wire

MARCH 14, 1935.

SHURTLEFF, BS.:

Apparently difference opinion between you and Russell who states three-way management never discussed except as regards original offering to Smith First Boston Bonbright Witter. We offered Witter five percent interest in name Lazard Brown ourselves and Russell, made same formal offering in same names to Sid Mitchell for Brown. Due to misunderstanding Jack Harrison offered ten percent interest to First Boston Smith in name Lazard alone Russell says this will be immediately corrected.

I explained to Russell my understanding right along has been Lazard to have management mechanics account but three-name offering to any banking and selling groups which may be formed. Russell states this method offering was never raised and further this method joint management never discussed with Brown and that his understanding clearly as follows:

Lazard to handle mechanics and send out buying and selling group participations over their own name acting as managers for entire group.

We are going to have syndicate meeting in morning so please let me have your understanding today.

LEIB.

EXHIBIT No. 1614-8

[From the files of Blyth & Co., Inc.]

PAC GAS & EL.

LEIB, BN:

No management fee was ever discussed or agreed to for Lazard. Stop. Re 3 way management I cant add anything to my wire of yesty. Part of conversations were with Blyth Has he any other slant on it?

SHURT, BS.

EXHIBIT No. 1614-9

[From the files of Blyth & Co., Inc.]

NEW YORK
CHICAGO
BOSTON
PHILADELPHIA
ATLANTA

SAN FRANCISCO
LOS ANGELES
SEATTLE
PORTLAND, OREG
LONDON

FOR INTER-OFFICE USE ONLY

BLYTH & Co. INC.
120 Broadway
Cable address: BLYTHCO
NEW YORK

SAN FRANCISCO, March 28, 1935.

Mr. GEORGE LEIB,
New York.

Mr. EUGENE BASHORE,
New York.

MY DEAR GEORGE AND GENE:

Subject: Pacific Gas & Electric Co. syndicating in San Francisco.

This is of course a post-mortem, but as a matter of interest I would like to know just how Lazard selected its San Francisco dealers. It is not so much their sins of commission which I object to, but their sins of omission. The dealers whom they included were all right, but they only picked 14 of them, and apparently completely ignored our syndicate list. Had they set about making the Pacific Gas & Electric Company as unpopular as possible amongst the dealers in its own territory, they could not have succeeded better.

About a month ago I wrote to Mr. Hockenbeamer and suggested that for the good of public relations, he might consider it advisable to see that San Francisco dealers were pretty well taken care of. I guess Hock didn't consider it of enough importance to take up with Lazard Freres. The unfortunate part is that the Company is now engaged in fighting several bills in the legislature, and has asked San Francisco Security Dealers to help them. You can imagine with what enthusiasm this request will be answered, when the majority of dealers got no bonds at all.

I assume the First of Boston will not make a similar error in the Edison business. You might, if you have an opportunity, talk to them well in advance, about a syndicate list. They will probably have fully as good a list as ourselves because they are currently in touch with dealers, which Lazard Freres were not.

One other thing in connection with the Edison, I think it will not be the tremendous sell-out that Pacific Gas & Electric was. Edison, in the past, has not had as good a credit as Pacific Gas, and I think the price and coupon has stretched this credit just a little. However, this is a very rash prognostication, because no one knows what the market will be 30 days hence.

[Signed] Roy.
ROY L. SHURTLEFF,

RLS
HKE

EXHIBIT No. 1614-10

[From the files of Blyth & Co., Inc. Letter from Eugene Bashore to Roy L. Shurtleff]

APRIL 2ND, 1935.

Mr. ROY L. SHURTLEFF,
San Francisco Office.

MY DEAR ROY: I have had so many complaints from all directions on the way the wholesaling of the *Pacific Gas & Electric* issue was handled that were it not for the fact that everyone has complained, I should feel that it was badly done. I am personally responsible for whatever Blyth & Co., Inc. did or failed

to do in connection with the wholesaling and hence must answer for the complaints.

About a week before the offering, and without prior notice, I was invited late one evening to have dinner with Jack Harrison of Lazard Freres & Co., and Harmon Brown of Brown, Harriman & Co. at the University Club to talk over preliminary arrangements for wholesaling. I suspected that this might be our only shot at wholesaling and so took with me letters and memoranda from all of our offices suggesting dealers whom we wished to have included. I did not, however, have suggestions from your office, but was at no particular disadvantage because of this.

We worked until 3 o'clock in the morning on the list of dealers and while Brown, Harriman had pet dealers in various localities, our suggestions were by far the most numerous. At the start we tried to set up amounts of bonds, but we realized these figures required considerable adjustment and so the net effect was largely the notation of the dealers who should be offered and an indication about the amount which they should have if bonds were available. A totaling of these rough figures indicated that we were over by several millions of dollars.

Subsequent to this meeting, suggestions which came to me from our various offices or dealer men or by direct application of dealers, were referred to Lazard. Some names which we suggested were not offered bonds at all, and others were severely reduced as they had to be from the preliminary figures which had been set up.

When we came to the San Francisco territory, Jack Harrison said that Hockenbeamer had advised that he wished to determine the amounts of bonds to be placed in San Francisco and the dealers with whom they were to be placed, making particular note of Cavalier, Mark Elsworthy and Schwabacher. This statement of Hockenbeamer's interest in the San Francisco wholesaling came third handed and I am not sure just what was the extent of his interest in it. I gave Jack Harrison a brief characterization of each of the various San Francisco dealers and made a particular request for some of our friends, but it was considered that the San Francisco list would be prepared only under Hockenbeamer's supervision.

On the day before the offering I attended a meeting at Lazard's office at which the final arrangements were reviewed. A list of allotments to dealers was available for our inspection with the notation that it was too late to make any changes as the amounts had been filled in on Selling Group letters which were then ready for mailing. I made only a cursory examination of the list.

I haven't any particular criticism of Lazard's handling of this business and believe they did it from their viewpoint about as we should have done it from ours had we headed the business. That is to say, they courteously invited suggestions and showed every disposition to cooperation, but in the final analysis made the allotments to dealers in a manner that paid reasonable respect to the wishes of their associates, but primarily served their own purposes to an extent not inconsistent with the general good of the deal. If the wholesaling in the San Francisco territory was not in accordance with the best interests of the company, Hockenbeamer himself must be responsible for this for he had something more than a mere veto of what was done.

The Pacific Coast territory, contrary to your preliminary understanding, was not handled any differently than the New England or any other territory. We were not joint managers of the account, we did not participate in making allotments to dealers, but we did submit suggestions of dealers that should be offered and designated their importance or ability to distribute. Our own syndicate records are in no better shape than Lazard's. Everyone registered as a dealer whether engaged presently as a broker or as a dealer in municipal bonds claimed a right to participate and these requests amounted to a deluge in the midst of which some worthy dealers were ignored, others not entitled to it received participations and the amounts finally allotted were perfectly screwy.

Very truly yours,

EB:AH

EXHIBIT No. 1614-11

[From the files of Blyth & Co., Inc. Letter from George Leib to Roy L. Shurtleff]

APRIL 3, 1935.

MR. ROY L. SHURTLEFF,

San Francisco Office.

DEAR ROY: I was very much interested in your letter of March 28th regarding the "mishandling" of the Pacific Gas Syndicate by Lazard Freres.

I am having lunch with Jim Black either today or tomorrow, and I shall simply show him your letter.

Post-mortems are, at best, unsatisfactory, Roy, but I still believe that we could have headed this business had we stood pat, because I do not believe Hock is strong enough to have forced Lazard Freres into first position over the protest of Jim Black and C. O. G. It was such a completely illogical selection.

Jim Black was tremendously surprised that we did not head the business jointly, because he practically gave instructions to Hock that he would like to have it this way. He asked Hock why we did not, and Hock put on that silly smile of his and said "Well, Stan Russell simply won out." Jim then said to him "G. D. it, who was running the Company—you or Stan?", to which query Hock did not answer.

I am sure you all appreciate that Hock has further weakened his position by his silly actions in this financing—that is, weakened his position with the North American crowd back here.

When I explained to Jim about the $\frac{1}{4}$ of 1% which Russell was cutting out of the situation for himself, he was amazed.

Needless to say, at the very first meeting we had back here, Russell and I had an open and complete disagreement; so after that Charley attended the meetings and I retired.

Jim Black is completely sympathetic to us, and has told me that his mind is definitely open as to who shall head the next syndicate. I really believe that if Jim Black and C. O. G. will bring pressure on Hock we will head the next syndicate, and I believe that they are both willing to bring that pressure.

I would suggest that Bernard show to C. O. G., in confidence, copy of your letter of March 23th addressed to Gene Bashore and myself.

I would also like to say that Hock is definitely "on his way out", and that it may well be that he will be more or less retired to Chairmanship on the Board by the time the next issue comes along. Let's keep up the good fight. We are entitled to this leadership by every yardstick, and I am convinced that if we do not obtain it, it will be simply our own fault.

You will be interested to know that the thing on which Stan Russell and I locked horns was the subject of joint management. I said that I clearly understood that we were to manage jointly with them and Brown Harriman, whereupon Russell looked me coldly in the eye and said that we were not entitled to that position because we were not a house of issue, and that we were not so regarded by several of our good friends in San Francisco.

Of course, I disagreed violently on this subject, and expressed myself as being absolutely certain that we are a house of issue. Charley adopted (and I am sure correctly) a more temperate attitude, and kept the situation from breaking wide open. However, I sort of have a feeling that if it had broken wide open, we would have finished up with joint managership.

I am sure that Stan Russell undermined us with Hock, and through Hock with Fred Elsey, by telling Hock that we are not regarded as a top house here in the east, and that they would belittle the dignity of the Pacific Gas business to have us head it. In my own mind, that completely explains the about-face which was made by Fred Elsey. I think some work must be done with Elsey to disabuse his mind. Surely, it would have been more dignified for the Pacific Gas business to have been headed by Blyth & Co. than by a bunch of who are completely unknown in the investment banking field, and who only occupy a speculative position in international finance.

All of which is water over the dam. The thing to aim our sights at now is the next issue. Loring Hoover and I will do our share of the work with the North American Company back here, and I know you, Charley and Bernard will do your share on the Coast. Let's go after it cold-bloodedly, and we will win—and we will also show Stan Russell whether or not we are "a house of issue."

As you can certainly gather, I have no friendly feelings toward Stan Russell. He is never going to give us anything. He has hit below the belt, and has broadcast his opinion in our home town of Blyth & Co's standing, and what he considers to be Blyth & Co's lack of capital.

On this subject, Charley had a most satisfactory talk yesterday with Potter, of the Guaranty. Charley discussed our capital position with him (it came up accidentally) and asked Potter's opinion as to whether or not we should ask some more capital into our business. Potter recommended definitely against it, saying we had ample capital, in his opinion, and that he would recommend that we just retain our earnings and let our capital grow in that way. Incidentally, he assured Charley that we are going to be in the new Bethlehem Steel business, in a substantial way—that is, if his (Potter's) influence can put us in; and Charley and I are both sure that it can. All in all, it was a most satisfactory interview with Potter, and Charley was in high spirits last night, as was your old associate.

GLJD.

GLJD.

P. S.—I am sure Bernard will be interested in this letter.

EXHIBIT No. 1614-12

[From the files of Blyth & Co., Inc.]

PRIVATE WIRE—OUTGOING

BLYTH & CO., INC.

MAY 31, 1935.

SAN FRANCISCO OFFICE:

If Shurtleff out reach him wherever he is and get answer race.

Shurtleff, BS:

Sierra & San Francisco jumped 2½ points today. Stan Russell just called up and said inquiry came from Weeden. I told Stan the truth which is that Hock is up to something but I don't know exactly what. Stan asked me shoot you race wire and ask if you know any recent developments and do you think he should get out there. Please race answer as I am leaving office in about five minutes.

LEIB.

EXHIBIT No. 1614-13

[From the files of Blyth & Co., Inc.]

MAY 31, 1935.

FL Leib BN tell Stan that Hock is preparing new issue & expects to call Sierras San Joaquins & Midlands Tnk advisable Stan to come out here but not to tell Hock we have suggested it.

Shurt BS.

EXHIBIT No. 1614-14

[From the files of Blyth & Co., Inc.]

JUNE 4, 1935.

LIEB BN:

Result Stanleys talk with Hocknebeamer appears be that if our group gets bonds we will handle at two points profit and Blyth will be Pacific Coast managers with a ratable split in management fee Stop Believe Hockenbeamer will do business our group although he has registration statement all prepared with no underwriters in it which if filed that way would result in swarm of competitors attempting buy business and would react unfavorably on old underwriting group Stop We urging Hock and other directors not allow statement to be filed in this form although June 7th is date of filing and very little time to effect change Stop Believe advisable you get cooperation NA people as this seems unnecessary slap at underwriters and undignified method of inviting competition.

SHURTLEFF BS.

EXHIBIT No. 1614-15

[From the files of Blyth & Co., Inc.]

LEIB BN:

Gas deal all set. We pay 102 with market out clause with provision that if we can sell at higher 104 we get the extra up to one half Stop Synd same as before excepting Witter upped 2 percent and First Boston and Smith cut 1 pc Stop If we get too much adverse kickback on this cut we will have to cut the three principals each one-half and First Boston and Smith each Stop We are to be coast managers of account with first position coast advertising Stop Will handle all coast syndicating and east must give up sufficient bonds to satisfy California dealers Stop Will share in management fee but haven't yet been able get Stanley down to rate of sharing Shurt BS.

EXHIBIT No. 1614-16

[From the files of Blyth & Co., Inc. Letter from George Leib to Charles R. Blyth]

JUNE 7, 1935.

MR. CHARLES R. BLYTH,
San Francisco Office.

DEAR CHARLEY: Apparently the Pacific Gas business is a "tragedy of errors."

After your, Roy's, and my talk, I have stayed carefully away from Jim Black, as I thought it would be unfair to in any way attempt to influence the North American Company against Stanley Russell's leadership. I had a feeling, however, that Jim Black was working on Hock because I knew the way Jim felt over the last issue.

When Stan offered us western management and a part of the management fund, I was certain, in my own mind, that the North American crowd had suggested to Hock that we be given joint management, and that Hock had told Stan such must be the case—and Stan, quickly realizing that something must be done, had offered us western leadership and a portion of the management fund (percentage not discussed at that time): and when we accepted this arrangement, he went back to Hock and told him that we were perfectly satisfied with what he had done.

Now, giving us the west and keeping the east, to the uninitiated, would appear to be a 50-50 break; but we all know that such is not the case. It is about an 80-20 break. I immediately sent the enclosed wire to Roy, but apparently it had no effect because Roy accepted a one-third interest in the management fund.

During this time, I have stayed completely away from Jim Black, as that was the spirit of our understanding. Jim Black called up this morning and asked me if we had gotten the joint management which apparently he had *vigorously suggested* to Hock. I said "no," that we had been offered by Stan the western leadership and one-third of the management fund, and that we had accepted it simply because we were not in a position to trade with the Company against our Partner.

Jim said that was not what he had suggested to Hock. He said he had suggested joint management throughout the country, with equal rights. I said, "Jim, I am not in a position to ask for anything. All I can tell you is this: we will go ahead on the present arrangement unless Hock instructs the Banking Syndicate that the management shall be joint throughout the country and that all interests between Lazard Freres and Blyth & Co. shall be equal. If that suggestion is made, then we will of course acquiesce; but I want to go on record now with you that Blyth & Co. is not asking for anything."

Jim understands and appreciates our position, and he further expressed their appreciation of the cleanness of the stand that we are taking. Whether or not he will discuss this matter further with Hock, I do not know. At any rate, I shall do nothing back here which would in any way embarrass Lazard Freres.

Sincerely yours,

GLJD.

P. S. I do think we should have at least traded and obtained one-half of that management fund, as our interest in the business is so obviously 50-50.

GLJD.

EXHIBIT No. 1614-17

[From the files of Blyth & Co., Inc. Letter from George Leib to Charles R. Blyth]

August 20, 1935.

Mr. CHARLES R. BLYTH,
Lake Tahoe, California.

DEAR CHARLEY, BERNARD AND ROY: Yesterday I went to lunch with Jim Black, and we had an hour and a half discussion on the subject of the coming Pacific Gas Financing. It was very opportune as Jim is leaving for California tomorrow.

I reviewed in detail the negotiations incident to the first Pacific Gas issue. I reviewed the misunderstanding regarding the joint management of the first issue; namely, that Blyth had understood that it was to be a joint management account, and Russell had understood that it was to be managed solely by Lazard Freres.

Incidentally, Jim said (off the record) "Had you stood pat, the worst that would have happened to you would have been joint management". Jim also went ahead and said "For the life of me, I cannot understand how they ever gave Lazard Freres the management of this account, particularly with all of Blyth's friends in San Francisco, such as COG—Anderson—Chickering, etc.

I explained to him how Hockenbeamer had simply railroaded it through, and how Hockenbeamer apparently had controlled Fred Elsey. I also explained to Jim my personal belief that Stanley had questioned our capital position with Hockenbeamer, Elsey, etc. in California, and had also broadcast an opinion to them that we were not a "house of issue".

Jim told me that when Hockenbeamer was back here on the first issue, he had a very frank and blunt talk with him which he was sure had indicated to Hockenbeamer his own surprise at the way the financing had been handled.

We then went into a discussion of the second Pacific Gas & Electric issue. Jim told me that neither he nor Fogarty ever told Hockenbeamer to do anything—that all they ever did was to suggest. However, Hockenbeamer had always been amenable to suggestion. He inferred that which I know to be a fact; namely, that in several telephone conversations with Hockenbeamer, he had suggested the possibility of Blyth jointly managing the new business with Lazard Freres.

I then explained to him that Hockenbeamer must have told Stanley this was what he (Hockenbeamer) wanted, because Stanley suddenly rushed into our office one day and said that due to the fact that we were such good fellows, and had been so helpful to him in the Pacific Gas account, he was going to let us head the business on the Pacific Coast, and give us an interest in the override charge which was afterwards agreed upon at one-third for Blyth & Co.

I told Jim from my personal knowledge of Stanley, I did not believe he operated along such broad lines, and that I personally believed that, realizing that the company wanted joint management, he had made a quick deal with us on a less than a joint management basis, and then had gone back and told Hockenbeamer that we were perfectly happy and satisfied with the deal as outlined. In other words, I do not believe that Stanley ever told us that which the company told him; namely, that they would be pleased to see joint management.

I explained to Jim how, in the second Pacific Gas issue, we had gone to Stanley and told him to get on the train and get out there as the issue was well along toward registration and the company was irritated at the banking syndicate, all of which was complete news to Stanley.

I explained to Jim how perfectly ridiculous it was for Stanley Russell to head the Pacific Gas business when his firm has not an office west of New York.

Jim asked me what I thought of Lazard Freres' price ideas, and I said that naturally with a small organization it was necessary to buy as low as possible in order to insure salability of the issue in professional quarters. I explained to him that our own price ideas of western securities were always high, and gave as an example the recent controversy on the price of Southern California Gas, when we were perfectly satisfied with a price of 101½ and certain other eastern houses felt that par was the top price—Incidentally, our price judgment was vindicated.

I told Jim that the first issue should have been headed by Blyth & Co., and I thought that all the houses on the Coast felt the same way. I told him that I felt many men of standing on the Coast were surprised when Lazard Freres headed the business and Blyth & Co. took second place.

Jim said he would like to check up with some men such as I had in mind, and I suggested that he talk with C. O. G. Miller, Ken Kingsbury, Frank Anderson, Allen Chickering, and W. H. Crocker. Jim dropped the remark that he would certainly discuss it with Ken Kingsbury if he had a chance, as he had a high regard for his cool nose judgment. 'I think it might be well worth while to give a little lunch for Jim Black at the Pacific Union Club and let him sit next to Ken Kingsbury and possibly let Ken know in advance of this conversation with Jim Black).

I told Jim that if we accepted our position in the second Pacific Gas & Electric syndicate for one more Pacific Gas issue, then it would be most difficult to change; and that any change which the company felt should be made should be made in the next issue. Jim asked me what I wanted, and I said this:—

My own personal view is that Blyth & Co. should head the business. However, in view of the original mistake made by Hockenbeamer, which placed Lazard Freres at the head of the business, I do not think we would be willing to have Lazard Freres thrown out of the leadership east and west. It would be a serious blow at their firm's prestige, and would be a serious blow at Stanley Russell personally—just as Hockenbeamer's unwillingness to have Blyth & Co. head this business was a serious blow at our prestige both individually and as a firm.

I told Jim I did feel that a great injustice had been done us, and that if the company felt the same way about it, then it could and should make amends.

Jim asked me what I meant by joint management, and I said that joint management meant that all wires should go out over the names of Lazard Freres and Blyth & Co. as joint managers—Lazard's name first east of the Mississippi, and our name first west of the Mississippi; that all answers should be made to Lazard Freres, New York, on east of the Mississippi invitations, and to Blyth & Co., San Francisco, on west of the Mississippi invitations. I said that all syndicate lists, both east and west, should be approved by Lazard Freres and Blyth & Co. I said that any override should be divided fifty-fifty. I said that in the advertisement Blyth & Co. should appear first west of the Mississippi, and Lazard Freres first east of the Mississippi. I told him I did not think that would in any way disturb Lazard Freres' prestige, and would go a long way to remedying the blow which was delivered to our prestige in the first instance.

Jim said he would give the matter much thought, and would discuss it with his important friends in California.

I gathered the impression, at the close of the interview, that he was favorable to Hockenbeamer insisting upon such an arrangement.

Loring Hoover is going to see Jim Fogarty at the first convenient opportunity, and enlarge upon this idea. Some work must be done in California. One of the first people Jim Black will check with is C. O. G. Miller (Jim has the highest regard for his ability and judgment). I know that C. O. G. will be completely ready for him when he arrives. Anderson and Chickering should be prepared, along with Ken Kingsbury. I imagine it would be dangerous to do anything with Elsey, as apparently he is dominated by Hockenbeamer.

I believe this is our last chance to "get a place in the sun" on the Pacific Gas business, and that if we fail to obtain joint management in the next issue, then for years we will continue to slouch along among the "also rans".

We will be very much interested in hearing of any developments in California, and please advise us regarding any way in which we can be helpful here in the east.

Sincerely yours,

GLJD.

(Mr. Leib had to leave before this letter was written)

EXHIBIT No. 1614-18

[From the files of Blyth & Co., Inc.]

For Inter-Office Air Mail Use Only

BLYTH & CO., INC.,
San Francisco, September 5, 1935.

Mr. GEORGE LEIB,
New York.

MY DEAR GEORGE: I wired you twice to-day on the subject of the negotiation for the P. G. & E., with particular reference to our joint managerial position.

Apparently Jim Black's suggestions to Hockenbeamer regarding us had no effect at all because when I went after Hockenbeamer, he refused to change the present status in any respect. I got Stanley and Hock together, and the sum of my accomplishment was that Stanley gives a definite promise that prior to the \$20,000,000 issue which will come in May, he will sit down with us and settle the matter to our mutual satisfaction. He said he was not unsympathetic to our claim, and I judge that by sticking to our guns we can put it over next time.

I feel pretty sure we can get the joint appearance as managers. I am not so confident that we will be able to get an equal division of the managerial fee—that, however, is a matter still to be worked out.

Stanley, naturally, was difficult to handle, in view of no request for the change on the part of the Company, and, in fact, a resistance of such a change as expressed by Hockenbeamer. Stanley also resented being left out of the Southern California Gas business, and you may expect to hear from him regarding inclusion in the Pacific Lighting business. He said he thought his attitude toward us had been consistently friendly, down to the point of offering us substantial position in the Anaconda business when he thought it was his, prior to his knowledge of Charley Mitchell's association with us. I told him that the matter of Eastern members in the Southern California Gas business and in the Pacific Lighting Corporation business was strictly in the hands of yourself and Charley Mitchell.

Sincerely yours,

[Signed] Roy.
ROY L. SHURTLEFF.

RLS
HKE

EXHIBIT No. 1614-19

[From the files of Blyth & Co., Inc. Telegram from Roy L. Shurtleff to George Leib]

SEPTEMBER 30, 1935.

LEIB BN:

Have had no cooperation from Hock at all re change management position PGE. He specifically requests that it be left as it is. Stop. Finally secured definite promise from Stanley that prior to next issue which will come in spring we will sit down together and matter to our mutual satisfaction which I take to mean that in next 20 million issue next spring we should be able force ourselves joint managerial position Shurt BS.

EXHIBIT No. 1614-20

[From the files of Blyth & Co., Inc. Letter from George Leib to Roy L. Shurtleff]

SEPTEMBER 6, 1935.

Mr. ROY L. SHURTLEFF,
San Francisco Office.

DEAR ROY: I have your letter regarding Stanley Russell—Hockenbeamer—Jim Black.

Let me urge you to write a letter to Stanley Russell outlining the fact that Hockenbeamer told us he wanted us to get together with Lazard Freres before the next issue of bonds and iron out a satisfactory working arrangement.

Let me suggest that in that letter you refer to the definite promise made by Stanley Russell that prior to the next \$20,000,000 issue which will come in May, he would sit down and settle the matter to our mutual satisfaction.

I would also include in the letter the fact that Stanley made the statement that he is not unsympathetic to our claim.

Please write that letter in such a way that we can show it to Jim Black and Jim Fogarty. I have a feeling that these latter two men have more influence with Hockenbeamer than you apparently believe.

I am hopeful that if we keep hammering away on this situation we will get joint management. At least, let us not fail through lack of effort on our part.
Sincerely yours,

GLJD.

P. S.—Please send copy of the letter you write to Stanley Russell so that Loring Hoover and I can use it here with the North American people. We would like to go on record that we expect an adjustment on the issue in May.

GLJD.

EXHIBIT No. 1614-21

[From the files of Blyth & Co., Inc.]

SAN FRANCISCO, December 19, 1935.

Memorandum for Charles R. Blyth.

RE PACIFIC GAS & ELECTRIC FINANCING

Allen Chickering told me today that he had already approached Jim Black on the subject of the syndicate that would handle the next Pacific Gas & Electric Financing. Allen stated that he and other directors had been dissatisfied from the beginning with Lazard Freres heading the syndicate but that he had been unable to ever get anywhere with Hock.

Black attempted to put the matter off by stating that there was no imminent financing and therefore no necessity of discussing the matter at this time but Allen is evidently determined that the matter be talked out now. Allen's position is that Lazard Freres should not head the business and that Blyth & Co. should head the business, and that Dean Witter & Co. should have a prominent place in the business, and he told Black so yesterday. Allen told me that while he was talking with Black, C. O. G. came along and he brought C. O. G. into the discussion. Allen also stated that as Blyth & Co. was a member of the syndicate headed by Lazard Freres that it was very difficult for them to do anything in the matter and therefore he felt that he could be of service. Apparently nothing was decided except that Black will know that the Executive Committee, which now consists of Black, Elsey, Miller, Chickering and Norman Livermore, will want to make a change. It was my thought that I should speak to Norman Livermore but Allen seemed to think it was not necessary to do anything at this time.

BERNARD W. FORD.

BWF

EM

Copies to

George Leib, N. Y.

Roy Shurtleff, E. F.

EXHIBIT No. 1614-22

[From the files of Blyth & Co., Inc. Letter from George Leib to Charles R. Blyth]

JANUARY 16, 1936

Mr. CHARLES R. BLYTH,

San Francisco Office.

DEAR CHARLEY, Yes, some treatment on George Wallace is necessary. Maybe some time when you are in Los Angeles you can get Dave to take him out for lunch with you and apply "gentle pressure".

Charley, I have been giving an awful lot of thought to the Pacific Gas financing, and the roar which is going to go out when, as and if we head that business. Having accepted the Lazard leadership, our position is very delicate; and to avoid a wide open rupture with Lazard and a certain amount of criticism on the Street, it may be necessary for the Executive Committee of the

Pacific Gas and Electric Company to direct us to head the business. I know you are as fully alive to the situation as we are, and I know you realize that if it does not come about in this way we will be accused of boring from within against a Partner—unethical practices—etc., etc. If necessary, this criticism can be borne, for the leadership of Pacific Gas financing is worth the punishment. However, we certainly want to avoid criticism if we possibly can.

Under any circumstances, we are going to hear Stan Russell's yells from here to San Francisco—and, as you know, those yells will afford me a certain amount of sadistic pleasure.

This whole crowd here is pulling for you tooth and nail in this Pacific Gas matter. We well realize how difficult it is to get a banking house out of first position once it is in; but we feel that with any kind of luck you will be successful. We will be jubilant if we win, and if we lose we will have the satisfaction of knowing that we "went down fighting".

Best always,

GLJD.

EXHIBIT No. 1614-22

[From the files of Blyth & Co., Inc. Letter from C. E. Mitchell to Charles R. Blyth]

JANUARY 16, 1936.

DEAR CHARLEY: Harrison Williams asked me to lunch with him in his private dining room today and held me for about an hour and three-quarters, during which time we discussed affairs in which he is interested from A to Z. The high spots that I carried away were these.

He said with positiveness that he is no more tied to Dillon Read & Co. for his financing than he is tied to us, and that he would like very much indeed to see us active in his matters as opportunity presented.

We discussed the P. G. & E. situation and he disclosed his desire to see that the Executive Committee and Black, so far as possible, ruled the roost. He would be very glad to find that they were recommending that Blyth & Co. head whatever financing they had to do as he certainly had no leaning for Lazard Freres. He did not want to see any of the P. G. & E. stock held by his trusts sold, and especially that stock held by the North American Company as that Company had really issued a large amount of its own common against the P. G. & E. common and he liked to consider that a fixed investment. Furthermore, he considered P. G. & E. exceedingly cheap in the light of their earnings and their probable increased dividend rate this year.

He is very much interested in the *Detroit Edison* development and through the United acquisition has increased his holdings materially. With Dillon's 3% investment in that Company, that business would naturally flow his way on any changes in the banking set-up.

His recent acquisitions of investment trust equities have put him in a position where he felt that he had a definite influence on the matter of investment of something over \$260,000,000; he is looking for profitable investments for these trusts and wants us to be watchful for money making possibilities in the purchase of blocks of stock in various enterprises and he would look sympathetically on any suggestion we cared to make him at any time. He felt that the doing of business of this sort would bring us closer and develop other possibilities of relationship.

I feel that the meeting of today was a very satisfactory one and only hope for the opportunity of seeing him again soon on some concrete business. Let me know if you have any suggestions.

Sincerely,

MR. CHARLES R. BLYTH,
San Francisco Office.

EXHIBIT No. 1614-24

[From the files of Blyth & Co., Inc.]

C. E. MITCHELL,
Chairman.

BLYTH & Co., INC.

120 Broadway

Cable address: BLYTHCO

NEW YORK, January 17, 1936.

DEAR CHARLEY: George has seen my letter of yesterday to you regarding my talk with Harrison Williams, and has suggested that it might be helpful if you had a letter that you could show to Black or any other member of the Executive Committee which would evidence Harrison's attitude.

I therefore enclose such a letter which you may or may not find useful.

Sincerely,

CHARLES.

Mr. CHARLES R. BLYTH,
San Francisco Office.

EXHIBIT No. 1614-25

[From the files of Blyth & Co., Inc. Letter from C. E. Mitchell to Charles R. Blyth]

JANUARY 16, 1936.

DEAR CHARLEY: In the course of a long talk which I had with Harrison Williams today, the Pacific Gas & Electric situation was thoroughly discussed. He seemed to be very happy indeed that Black is there and that he has such a strong local Executive Committee. He seemed to be hopeful that they would be autonomous in their control of all affairs of the Company and said that it would be pleasing to him if he was to find that they were recommending that Blyth & Co. head whatever financing they had to do, and especially so as he certainly had no leaning toward Lazard Freres.

You will be interested to know that inasmuch as I had heard some talk about the possibility that some of the P. G. & E. common held by North American, or certain of the trusts in which Harrison is interested, might be sold, I broached this subject with him and can tell you that there is nothing to it. He was very enthusiastic about the Company; he saw no necessity of selling the stock; the North American Company had really issued a large amount of its own common directly against the P. G. & E. common in its treasury, and he liked to consider that as a fixed and permanent investment. He added by the way, that he considered P. G. & E. stock at its present price exceedingly cheap in the light of the Company's earnings, through which he apparently saw the possibility of some increase in the dividend rate later in the year.

Harrison told me that if we were to head P. G. & E. business he would like to have his receptive when the time came to some revising of the account, and mentioned Field Glore & Co. and J. & W. Seligman as names to which he would like consideration given. Of course these two particular houses are those controlling investment trusts in which he has recently established a position.

Sincerely,

Mr. CHARLES R. BLYTH,
San Francisco Office.

EXHIBIT No. 1614-26

[From the files of Blyth & Co., Inc. Letter from George Leib to Charles R. Blyth]

JANUARY 17, 1933.

MR. CHARLES R. BLYTH,
San Francisco Office.

DEAR CHARLEY: Charlie Mitchell and I have been talking further regarding the Pacific Gas situation. We know that you are hopeful of being told by the executive management of the Company to head the business, and to send your men down to help prepare registration.

Lazard will put up a terrific yell and claim "bad faith" and "partner knifing", and of course we will plead that we could not refuse to do what the Company directed us to do.

Charlie and I both feel that there might be a slip if we let our men report to the office of the Pacific Gas & Electric Company to help with registration without immediately advising Lazard. Certainly, we should advise them within twelve hours after our men have gone in.

Please do not think us presumptuous in making these suggestions, but we all feel that we are walking on dangerous grounds, and that much thought should be given to each step we take.

Charlie feels that, if possible, we should be ruthless and shove our name right smack up on the top line, with Lazard and Brown Harriman on the second line, in the order named.

Charlie is writing you an additional letter today regarding his talk with Williams, which he thinks you may want to use with Black—Chickering—Elsey—or some of the others. At any rate, he is writing the letter so that you can show it if you think wise.

In the last analysis, Jim Black will probably do what Harrison Williams suggests, because I am sure that after working in the North American Company for seven or eight years, he is thoroughly imbued with the power of Williams.

You fellows must be having an exciting time out there with the American Trust deal. I only wish some of us could be there to lend a hand. However, things are popping fast back here. It is great fun, isn't it, to again have business in motion, and the old firm forging forward to a real "place in the sun".

Best always,

GLJD.

EXHIBIT No. 1615

[Letter from The First Boston Corporation to Investment Banking Section, Monopoly Study, Securities and Exchange Commission]

THE FIRST BOSTON CORPORATION,
100 BROADWAY,
New York, August 23, 1939.

MR. PETER R. NEHEMKIS, Jr.,
*Special Counsel, Investment Banking Section, Monopoly Study,
Securities and Exchange Commission, Washington, D. C.*

DEAR MR. NEHEMKIS: I acknowledge receipt of your letter of August 17th and am replying to the questions raised in your letter in the light of a further conversation with Mr. McEldowney held on his visit to me yesterday.

You ask an explanation of the method by which The First National Bank of Boston, in compliance with the Banking Act of 1933, disposed of its security affiliate The First Boston Corporation. Enclosed is copy of a printed letter sent by the Bank under date of May 12, 1934 to the stockholders of The First National Bank of Boston and The Chase Corporation, which gives in detail the method used. Also enclosed is copy of a printed letter sent by Winthrop W. Aldrich, Chairman of the Board of Directors of The Chase Corporation to the stockholders of that corporation giving the details, among other things, of an offer of a certain proportion of stock of The First Boston Corporation to the shareholders of The Chase Corporation. I believe these letters, read in conjunction, will give you the information you desire.

You will note that the stock of The First Boston Corporation was owned by The First National Bank of Boston, which was the sole stockholder and literally, therefore, the "old stockholders", there being only one, was not given an opportunity to continue its interest in the business, this opportunity being given to the stockholders of the "old stockholder" and those of The Chase Corporation and certain others described at the bottom of Page 2 of the letter of The First National Bank of Boston.

Inasmuch as the present list of stockholders of The First Boston Corporation number 9,940 and the list of them comprises a formidable document of well over 300 pages, which would be extremely laborious and expensive to copy, I am enclosing, at Mr. McEldowney's suggestion, a list of holders of 500 shares and over, as of record, at the close of business on June 17, 1939. Should you desire further information as to the complete list of shareholders we shall be glad to arrange to make the complete list available to your inspection at the office of the transfer agent in Boston.

Your letter further states that you are interested to study the security originations of The First Boston Corporation and the participants therein, and that it may be necessary for members of your staff to confer with some of us in regard to them, and to obtain copies of certain documents. Mr. McEldowney has discussed this request with me and tells me he will return to our office, with certain of his assistants, to obtain the information you desire. I assume that this is satisfactory to you.

Being a publicly owned Corporation, my co-directors and I feel that we are, in a sense, in a trustee relationship to the stockholders of the Corporation in respect to its assets, among which are its records. We, therefore, wish to state that we are making these records available to you and your staff at your request in your capacity as a government official under the authority granted you in Public Resolution No. 113, 75th Congress.

Sincerely yours,

NEVIL FORD,
(Nevil Ford), *Vice President.*

EXHIBIT No. 1616

[From the files of The First Boston Corporation]

THE CHASE CORPORATION

60 CEDAR STREET, NEW YORK

MAY 11, 1934.

TO THE STOCKHOLDERS:

The Banking Act of 1933 contains two requirements which must be complied with within one year from the enactment of such Act, i. e. by June 16, 1934. The first of these requires that after the date in question no member bank of the Federal Reserve System shall be affiliated in any manner with a corporation engaged in the securities business. The second requires that after the date in question the sale or transfer of any certificate representing the stock of any national bank shall not be conditioned in any manner upon the sale or transfer of a certificate representing the stock of any other corporation other than a member bank. In this letter I am summarizing what has been done and what remains to be done to comply with these two requirements within the time limit fixed in the statute.

In entering into the arrangements hereinafter described for the divorcement of the securities business, and in recommending the further action which is necessary for the termination of the joint transfer of shares hereinafter set forth, the Board of Directors is aware of the proposals now pending before Congress to extend the date for complying with one or both of the above-mentioned requirements. The Board of Directors believes, however, that the entire program hereinafter set forth should be carried out as rapidly as possible, regardless of whether such extension of time is granted by Congress.

DIVORCEMENT OF SECURITIES BUSINESS

Before the enactment of the statute, I recommended the termination of the securities business of The Chase Corporation (then called Chase Securities

Corporation) which, since July 1, 1931, had been conducted through its subsidiaries, the Chase Harris Forbes companies. On May 16, 1933 the stockholders approved this program, and since that date The Chase Corporation and the several Chase Harris Forbes companies (hereinafter referred to as the Harris Forbes organization) have ceased to function in the purchase and sale of securities and have been proceeding with the liquidation of such business. This liquidation has progressed as rapidly as possible. A large part of the assets of the Harris Forbes organization has been converted into cash or government securities. Upon completion of the liquidation and the legal formalities incident to the dissolution of the Harris Forbes organization, the net proceeds of such liquidation will go to The Chase Corporation as the sole stockholder.

During the course of this liquidation, consideration has been given to the problem of arranging for the custody of the securities records of the Harris Forbes organization and the handling of the incidental inquiries and similar matters which are bound to arise from time to time in connection with the previous public distribution of the securities. Consideration has also been given to the possibility of realizing something on account of the good will of the Harris Forbes organization, which includes the right to the use of the name "Harris, Forbes & Co." To meet both of these situations the arrangements outlined below have been made with The First National Bank of Boston and The First Boston Corporation.

The First National Bank of Boston at present owns all the outstanding stock of The First Boston Corporation, its securities affiliate, and under the Banking Act of 1933 is required, by June 16, 1934, to dispose of such stock in such manner as to avoid an affiliation within the provisions of that Act. This means that the shareholders of such Bank can not hold a controlling interest in The First Boston Corporation. To this end, The First National Bank of Boston desired to effect arrangements for the offering of not exceeding 45% of such stock to its own shareholders and the balance to investors not at present interested in such Bank. Mr. John R. Macomber, formerly Chairman of the Board of the Harris Forbes organization, and Mr. Harry M. Addinsell, formerly President of the Harris Forbes organization, and certain associates, have expressed their willingness to become associated with the management of The First Boston Corporation and to become interested in the purchase of its stock. These gentlemen and The First Boston Corporation have proposed that provision be made for the acquisition by The First Boston Corporation of the good will of the Harris Forbes organization and the right to use the name "Harris, Forbes & Co.", and that an opportunity be given to the stockholders of The Chase Corporation to purchase *pro rata* not exceeding 45% of the stock of The First Boston Corporation at the same price as substantially the same amount of such stock is offered to the shareholders of The First National Bank of Boston. An arrangement to this end has been approved by the Board of Directors of The Chase Corporation and by reason thereof The First National Bank of Boston proposes to make the offer to the stockholders of The Chase Corporation above referred to.

Accordingly, an agreement has been entered into between The First Boston Corporation, The Chase Corporation and the Harris Forbes organization, under which The First Boston Corporation acquires the right at any time within six months to take over the name "Harris Forbes" and the good will thereof incident to the general securities business, other than government, state, municipal, political subdivision or governmental instrumentality financing, in consideration whereof The First Boston Corporation (a) shall have the right of access to, and agrees to maintain, to the extent requested, the custody of the correspondence, records and other documents of the Harris Forbes organization (including any such files, documents or other papers of The Chase Corporation then in the custody of the Harris Forbes companies) relating to general securities issues; (b) agrees to furnish from time to time from the records in its custody all data required in routine correspondence with former customers of the Harris Forbes organization or The Chase Corporation or in connection with any claims asserted against either of the two Harris Forbes companies or The Chase Corporation; (c) agrees to take over certain persons formerly in the employ of the Harris Forbes organization not actually required to handle the details of liquidation; and (d) agrees, to the extent not inconsistent with any interests which it may then represent, or be obligated to

represent, to provide, if requested so to do, a suitable person to become a member of any protective committee formed to represent securities in the public distribution of which the Harris Forbes organization (or any corporation the securities business of which may have been acquired by the Harris Forbes organization) were interested. As a condition of this agreement becoming effective, The First National Bank of Boston is to offer for subscription approximately 45% of the stock of The First Boston Corporation *pro rata* to the stockholders of The Chase Corporation of record May 22, 1934.

The Board of Directors believes that the arrangements outlined above are advantageous to The Chase Corporation and its subsidiaries, the Chase Harris Forbes companies, in that they will facilitate the completion of the liquidation of the Harris Forbes organization in an economical and satisfactory manner through the reduction of the overhead to a nominal amount and through the provision made for taking care of inquiries and similar matters that are bound to arise in connection with the securities issues previously made.

This letter is not intended as and shall not be deemed to be an offering or recommendation of the purchase of the stock of The First Boston Corporation. Its purpose is to acquaint the stockholders with the progress which is being made in completing the liquidation of the Harris Forbes organization and to explain the reason why they may shortly expect to receive a communication from The First National Bank of Boston, offering for subscription the stock of The First Boston Corporation.

TERMINATION OF JOINT TRANSFER OF SHARES

Under the arrangements now existing, which date back to the formation of Chase Securities Corporation in March 1917, each holder of common stock of The Chase National Bank of the City of New York owns an equal number of shares of the common stock of The Chase Corporation, the shares of the two institutions being transferable only in units of an equal number of shares of each corporation. These arrangements are embodied in an agreement entered into under date of March 21, 1917, between all the shareholders of both institutions, which, as heretofore amended from time to time, is still in force, and are also embodied in the provisions of the Certificate of Incorporation of The Chase Corporation.

To comply with the provisions of the Banking Act of 1933, requiring the termination of these joint transfer arrangements, it will be necessary to secure the consent of the stockholders of the two institutions to the termination of the above-mentioned agreement of March 21, 1917, as heretofore amended, and to the amendment of the Certificate of Incorporation of The Chase Corporation by eliminating therefrom all provisions relating to the joint transfer of the shares of stock of said Corporation with shares of stock of The Chase National Bank. After the date when such changes become effective, the shares of the two institutions will be separately transferable, as a result of which in the course of time the identity of stock holdings in the two institutions will disappear. The Board of Directors has therefore concluded that it would be advisable to eliminate the word "Chase" from the name of the Corporation at the same time that the termination of the joint transfer arrangements is passed upon by the stockholders. The new name will be submitted for approval at the meeting of the stockholders. The Board of Directors also feels that it would be advisable to consider at the same time a reduction in the number of directors of the Corporation from ten to seven with an appropriate change in the By-laws decreasing from five to three the number necessary to constitute a quorum of the Board, and also a change in the par value of the shares of the Corporation, increasing the same from \$1 to \$10 per share, thereby reducing the number of shares outstanding from 7,400,000 to 740,000 shares. The result of this change will be to readjust the outstanding shares on the basis of one new share of \$10 par value for each ten old shares of \$1 par value, but it will not affect the relative stock interests of the stockholders in the Corporation. At the same time it is proposed to provide for the issuance of scrip certificates covering fractional shares.

For the purpose of passing upon the matters incident to the termination of the existing arrangements for the joint transfer of shares, referred to above, a special meeting of stockholders of The Chase Corporation has been called

for June 14, 1934, formal notice of which is enclosed herewith. Action by a substantial percentage of all the outstanding shares is required. Unless you expect to attend the meeting, you are requested to sign the enclosed proxy, consent and power of attorney and to return it promptly in the enclosed envelope, in order that your stock may be voted at the meeting.

Very truly yours,

WINTHROP W. ALDRICH,
Chairman of the Board of Directors.

EXHIBIT No. 1617

THE FIRST NATIONAL BANK OF BOSTON

To the Stockholders of

THE FIRST NATIONAL BANK OF BOSTON
THE CHASE CORPORATION

The First Boston Corporation is a security affiliate of The First National Bank of Boston within the meaning of the Banking Act of 1933. As such, it must, under the law, be disposed of by the Bank on or before June 16, 1934. The Corporation management and control must be divorced from the Bank and stockholders holding a stock control of the Bank may not own or control, directly or indirectly, a majority of the stock of the Corporation. Although Congress may extend the time for compliance, it is deemed desirable to carry out at this time the plan described below.

The Corporation was incorporated under Massachusetts laws as of June 27, 1932. It is, we believe, an efficient organization with an enviable reputation and earnings record; its business is mainly trading in Government, state, municipal and corporate bonds, but it is also authorized to do a general securities business; it has about 675 officers and employees and maintains twenty-two offices in principal cities throughout the United States, the chief executive office being in New York City. It is performing an important function in the securities field, and its continued existence would seem desirable.

In planning for the disposition of the Bank's interest in the Corporation, we have sought to comply with the spirit and letter of the Banking Act; to provide that such of our stockholders as desire may have an opportunity to subscribe for a proportion of the stock in the Corporation within the amount which the law permits our stockholders to own; to extend an opportunity to the present officers of the Corporation, who are neither officers, directors nor employees of the Bank, to acquire stock in the Corporation; and to bring in as stockholders bona fide investors who will lend strength to the organization.

Certain members of the old "Harris Forbes" group have expressed a desire to become purchasers of stock and a willingness to become identified with the present management of the Corporation in its future operations. It was their suggestion that provision be made for the acquisition by the Corporation of the right to use, if desired, the name Harris Forbes and good will, but not other assets, of the Chase-Harris Forbes companies (two corporations organized respectively under Massachusetts and New York laws owned or controlled by The Chase Corporation), but without any assumption by The First Boston Corporation of Chase-Harris Forbes liabilities, and that an opportunity be given to Stockholders of The Chase Corporation to purchase stock of The First Boston Corporation.

To provide for the carrying out of this suggestion a contract has been entered into between The First Boston Corporation, the two Chase-Harris Forbes companies and The Chase Corporation, under which The First Boston Corporation acquires the right at any time before December 15, 1934, on ten days notice to take over the good will of the securities business of the Chase-Harris Forbes companies, including preferential rights and right to use the name "Harris Forbes" without restricting in any way the right now or hereafter of The Chase Corporation and its affiliated interests, to deal in and solicit contracts and maintain existing positions respecting any government, state, municipal, or governmental instrumentality financing. In consideration of such rights granted to it, The First Boston Corporation agrees at its expense to preserve and maintain certain correspondence files, documents and other papers of the

Harris Forbes companies and of The Chase Corporation with the right of access thereto at reasonable times by the representatives of the Harris Forbes companies or The Chase Corporation. The First Boston Corporation further undertakes to furnish from time to time from the records in its custody all data required by the Chase-Harris Forbes interests and The Chase Corporation in connection with any claims made upon them, but without assumption of any liability for such claims or for any expenses of legal defence; and to such extent as is not inconsistent with any interests which it may represent, to provide, on request, a suitable person to act on any Protective Committee formed to represent securities in the public distribution of which Chase-Harris Forbes companies or any corporation the securities business of which may have been acquired by them have been interested.

It is the intention to continue the operations of the Corporation in all cities in which it at present has offices with the following list of directors and officers:

Directors.—Harry M. Addinsell, James Coggeshall, Jr.,* Eugene I. Cowell,* Nevil Ford,* Duncan R. Linsley, John R. Macomber, Allan M. Pope,* William H. Potter, Jr.* George Ramsey, Arthur C. Turner,* George D. Woods.

Officers.—Chairman of the Board, John R. Macomber; President, Allan M. Pope*; Chairman of Executive Committee, Harry M. Addinsell; Vice President, James Coggeshall, Jr.*; Vice President, George Ramsey; Vice President, Eugene I. Cowell*; Vice President, Frank Stanton; Vice President, William Edmunds*; Vice President, Winthrop E. Sullivan; Vice President, Nevil Ford*; Vice President, Arthur C. Turner*; Vice President, R. Parker Kuhn*; Vice President, A. H. Wenzell; Vice President, Duncan R. Linsley; Vice President, Herbert T. C. Wilson*; Vice President, L. Meredith Maxson*; Vice President, George D. Woods; Vice President, Louis G. Mudge*; Vice President, William H. Potter, Jr.*; Treasurer, Alfred A. Gerade*; Secretary Arthur B. Kenney.*

The Corporation's balance sheet as of April 21, 1934, together with statement of income and analysis of surplus, prepared and certified by Messrs. Haskins & Sells, Certified Public Accountants, are appended hereto. The capital of the Corporation is \$5,000,000 and its surplus \$4,000,000, a total of \$9,000,000, represented by 500,000 shares of stock of a par value of \$10 each.

Just prior to the balance sheet audit above referred to a distribution from surplus was authorized to be made to the Bank reducing capital and surplus of the Corporation to \$9,000,000 which is deemed by the management adequate for its operations, with the result that the present working capital and surplus is approximately \$2,000,000 less than the average employed during the period to which the accountants' statement of income applies.

During the period of operation covered by the accountants' statement the general security market was not entirely satisfactory, but since January 1, 1934, conditions, chiefly on account of general activity and price stability in the market for Government bonds, have been very favorable to the Corporation.

Earnings from April 21, 1934 to June 15, 1934 are to be withdrawn and any other necessary adjustments made to the end that on June 15, 1934 the net worth of the Corporation as shown on a balance sheet, to be prepared and certified by Messrs. Haskins & Sells, shall be \$9,000,000. Except with reference to ordinary current expenses and commitments accruing after April 21, 1934 the Corporation knows of no liabilities not shown on its balance sheet.

Right to subscribe at the rate of \$18 per share for 222,500 shares of the Corporation is to be offered to stockholders of The First National Bank of Boston of record May 22, 1934 on the basis of one share of Corporation stock for each ten shares of Bank stock held. Similar right to subscribe at the rate of \$18 per share for 222,000 shares is to be offered to stockholders of the Chase Corporation of record on the same date on the basis of one share of Corporation stock for each 33⅓ shares of Chase Corporation stock held.

Subscription warrants will be mailed as soon as possible after the close of transfers on May 22, 1934, to the address used for the mailing of this notice. Stockholders desiring to buy or sell subscription warrants or fractions thereof, should make their own arrangements as the Bank can not undertake to do this.

*Officers and directors against whose names an asterisk appears are present officers. The others named have hitherto been identified with Harris Forbes interests.

It is planned to sell the balance of the stock at the same price to the personnel of The First Boston Corporation who are neither officers, directors nor employees of The First National Bank of Boston, to the several members of the Harris Forbes group referred to above, and to others who, the officers of the Corporation believe, will lend strength to the organization. Such persons will be required to certify that they are buying for bona fide investment and not for purpose of redistribution.

THE FIRST NATIONAL BANK OF BOSTON,
By DANIEL G. WING,
Chairman of the Board.

BOSTON, May 12, 1934.

ACCOUNTANTS' REPORT

THE FIRST BOSTON CORPORATION:

We have made an examination of the balance sheet of The First Boston Corporation as of April 21, 1934, and of the statement of income and surplus for the period from the date of incorporation, June 27, 1932, to April 21, 1934. In connection therewith we examined or tested the accounting records of The First Boston Corporation for the period from date of incorporation, June 27, 1932, to April 21, 1934, and the operating accounts of The First Boston Corporation of Massachusetts for the period from June 27, 1932, to December 31, 1933, during which period the latter Corporation acted as agent for The First Boston Corporation in connection with the purchase and sale of certain securities in New England.

The profits of The First of Boston Corporation of Massachusetts derived from trading in securities and its expenses apportioned thereto for the period from June 27, 1932, to December 31, 1933, have been included in the accompanying statement of income and surplus.

During the period covered by the statement of income and surplus certain facilities and services including space in the Bank premises and auditing, statistical, and other services were furnished to the Corporation without charge by The First National Bank of Boston. The value of such facilities and services has been estimated and agreed upon by the officers of the Bank and of the Corporation on a basis which in our opinion is reasonable and a charge therefor has been included in the accompanying statement of income and surplus, together with a charge for interest on money which was borrowed without interest from the Bank during the period.

The First Boston Corporation's policy of determining profits or losses on security transactions, on the basis of average cost, has been followed consistently throughout the period under review. The security positions at April 21, 1934, are valued at bid quotations with respect to long positions, and offered quotations with respect to short positions, except those securities traded in on recognized stock exchanges on April 21, 1934, which are valued at the last sale price on that date.

In our opinion, subject to the foregoing, the accompanying balance sheet fairly presents the financial condition of The First Boston Corporation at April 21, 1934, adjusted to give effect to the subsequent distribution in cash of net worth in excess of \$9,000,000.00, and the accompanying statement of income and surplus fairly presents the results of operations of the business for the period from June 27, 1932, to April 21, 1934.

HASKINS & SELLS.

NEW YORK, May 10, 1934.

THE FIRST BOSTON CORPORATION

(Incorporated in Massachusetts)

BALANCE SHEET, APRIL 21, 1934

(Adjusted to give effect to the subsequent distribution in cash of net worth in excess of \$9,000,000.00)

ASSETS

Cash on Hand and on Deposit at April 21, 1934, Less Declared Distribution as of Same Date.....	\$4, 813, 870. 40
Deposits on Securities Borrowed.....	10, 028, 502. 78
Bankers' Acceptances.....	1, 218, 982. 00
Trading Securities (Valued at market quotations):	
United States Government securities.....	\$25, 655, 882. 11
Municipal bonds and town notes.....	648, 765. 00
Miscellaneous bonds and stocks.....	5, 006, 883. 98
	31, 311, 531. 09
Securities Carried for Joint Accounts (Valued at market quotations).....	713, 159. 00
Accounts Receivable:	
Securities sold not yet delivered.....	\$51, 833, 707. 83
Accrued interest receivable.....	197, 144. 04
Miscellaneous.....	65, 163. 30
	52, 096, 015. 17
Furniture and Fixtures (Less depreciation).....	130, 809. 18
Tax Stamps.....	4, 292. 52
Deferred Charges (Prepaid salaries, prepaid rent, unexpired insurance, etc.).....	57, 523. 37
Total.....	<u>\$100, 374, 676. 51</u>

LIABILITIES

Collateral Loans Payable.....	\$56, 422, 538. 85
Deposits on Securities Loaned.....	51, 969. 51
Trading Securities Sold Not Yet Purchased (Valued at market quotations):	
United States Government securities.....	\$4, 810, 071. 69
Municipal bonds.....	30, 850. 00
Miscellaneous bonds and stocks.....	320, 607. 01
	5, 161, 528. 70
Securities Sold for Joint Account Not Yet Purchased (Valued at market quotations).....	147, 913. 75
Accounts Payable:	
Securities purchased not yet received.....	\$28, 143, 047. 07
Customers' deposits.....	1, 127, 682. 24
Accrued interest.....	36, 395. 81
Unclaimed coupons and dividends.....	27, 963. 40
Accrued taxes—due in 1934.....	19, 711. 68
Miscellaneous.....	34, 989. 75
	29, 389, 789. 95
Reserve for Taxes.....	192, 858. 52
Deferred Credits (Unearned discount, agency fees, etc.).....	8, 079. 23
Capital Stock (Authorized and issued, 500,000 shares of \$10.00 each).....	5, 000, 000. 00
Paid-in Surplus.....	4, 000, 000. 00
Total.....	<u>\$100, 374, 676. 51</u>

NOTES.—Assets having a market value of \$59,749,445.12 are pledged to collateral loans payable.

The accrual of the liability for Federal capital stock and excess profits taxes at April 21, 1934 has been made on a basis of a proposed declared value of \$16,000,000.00 for the Corporation's capital stock.

At April 21, 1934 the Corporation had contingent accounts as follows:

Bankers' acceptances sold with endorsement (not confirmed).....	\$382, 477. 91
Securities purchased on a "When Issued" basis.....	1, 408, 938. 99
Securities sold on a "When Issued" basis.....	2, 322, 251. 82

The profit on the "When Issued" position at April 21, 1934 based on market values where available and in other cases the subsequent transaction price was \$7,879.60.

THE FIRST BOSTON CORPORATION

Statement of Income and Surplus, by Periods, for the Period from June 27, 1932, April 21, 1934

	Period from January 1, 1934, to April 21, 1934	Year ended December 31, 1933	Period from June 27, 1932, to December 31, 1932
INCOME (including trading profits of The First of Boston Corporation of Massachusetts):			
Profits from trading on own account:			
United States Government securities.....	\$1,018,049.72	\$1,629,308.37	\$791,137.80
Municipal bonds and town notes.....	212,551.64	374,601.33	228,084.22
Miscellaneous bonds and stocks.....	589,837.59	763,033.04	529,411.18
Acceptances.....	24,971.45	59,511.89	43,210.89
Profit from trading on joint accounts.....	18,276.65	61,586.28	28,620.44
Profit from participations in syndicate and group accounts.....	90,956.78	206,053.28	392,062.35
Commissions on trades executed by others.....	28,889.93	58,262.16	22,423.80
Interest, discount, and dividends earned on securities held.....	214,980.22	538,321.09	199,661.54
Interest earned on repurchase and resale agreements.....	718.75	5,467.74	72,028.05
Miscellaneous income.....	48,989.61	60,145.14	54,882.84
Total.....	2,248,222.25	3,756,290.32	2,361,523.11
EXPENSES AND CHARGES (including proportion of expenses of The First of Boston Corporation of Massachusetts and other estimated charges):			
Interest on bank loans.....	71,570.63	157,102.90	29,582.98
Other interest charges.....	1,181.37	4,025.48	2,135.27
Compensation of officers and employees.....	500,412.30	1,560,794.24	762,314.77
Rent.....	37,408.52	122,866.80	63,931.31
Telephone, telegraph, and wire communications.....	137,929.53	374,390.70	172,725.98
Taxes (other than Federal income and excess profits taxes).....	61,849.03	127,978.85	77,165.83
General expenses.....	175,072.18	471,560.26	255,499.97
Expenses and charges borne by The First National Bank of Boston as estimated and agreed to by officers of the Corporation and of the Bank.....	28,580.00	144,125.00	72,050.00
Provision for:			
Depreciation of furniture and fixtures.....	16,715.54	79,235.00	40,766.88
Loss on impounded bank balances.....		66,892.41	
Federal income and excess profits taxes.....	178,022.04	53,232.86	89,593.08
Miscellaneous charges.....	7,471.83	10,029.45	5,962.87
Total.....	1,216,212.97	3,112,233.95	1,671,728.94
NET INCOME AS ADJUSTED.....	1,032,009.28	644,056.37	789,794.17
ADD—To eliminate revenue and expenses of the First of Boston Corporation of Massachusetts and other adjustments included above but not on books of the First Boston Corporation.....	21,860.11	266,177.63	19,523.07
NET INCOME as shown by the books of the First Boston Corporation.....	1,053,869.39	910,234.00	809,317.24
EARNED SURPLUS at beginning of the period (including transfers from "Reserve for Initial Operating Expenses").....	1,656,720.47	897,646.02	
SURPLUS CREDITS:			
Arising from adjustment of balance sheet at date of organization.....			88,328.78
Transfers from "Reserve for Initial Operating Expenses" acquired at organization.....		1,028,840.45	560,000.00
Total.....	2,710,589.86	2,836,720.47	1,457,646.02
SURPLUS CHARGES:			
Writedown of book value of securities to market value at April 21, 1934.....	60,373.04		
Dividend distributions.....	2,650,216.82	1,180,000.00	560,000.00
Total.....	2,710,589.86	1,180,000.00	560,000.00
EARNED SURPLUS AT END OF THE PERIOD (including transfers from "Reserve for Initial Operating Expenses").....		NH	897,646.02

NOTE.—The average capital employed in the business (exclusive of borrowed money) was approximately \$11,000,000 for each of the periods under review.

EXHIBIT No. 1618

[From the files of The First Boston Corporation]

[Copy]

K. L. & Co. 1934

THE FIRST BOSTON CORPORATION,
100 BROADWAY, NEW YORK,
May 16, 1934.

Mr. GEORGE W. BOVENIZER,
Kuhn, Loeb & Company, 52 William Street,
New York, N. Y.

DEAR MR. BOVENIZER: You have undoubtedly seen the announcement in the newspapers of the plan for the separation of The First of Boston Corporation from The First National Bank of Boston, due solely to the requirements of the Banking Act of 1933.

Consummation of the plan will necessarily take some few weeks, but in the meantime we hope that you and your associates will ask us any questions regarding ourselves that may be of interest to you as one dealer doing business with another.

Anticipating some questions, however, we might say that the management has no intention of changing in any way the present policy of The First of Boston Corporation. While in Boston and New York, where our executive offices are located, we will continue to maintain local sales offices as heretofore, we have no intention of increasing our sales force elsewhere for the purpose of the distribution of securities to the individual investor.

We hope that as the capital market may open up we may have considerably more new issues than The First of Boston Corporation formerly had. Mr. John R. Macomber, as the Chairman of our Board, and Mr. Harry M. Addinsell, as Chairman of our Executive Committee, with five other officers who served with them in Harris, Forbes & Co. for many years, will devote a large measure of their time to such desirable new underwriting as may develop. We will have control of the name of Harris, Forbes & Co. and succeed to the good will of that organization.

The personnel of The First of Boston Corporation will continue intact under the slightly altered name of The First Boston Corporation and in the same locations. Under this new title we hope to continue to make ourselves useful to you and your associates and to continue what always has been to us a very pleasant relationship.

Yours very truly,

/s/ ALLAN M. POPE,
President.

EXHIBIT No. 1619

[From the files of The First Boston Corporation]

[Copy]

K. L. & Co. 1934

THE FIRST BOSTON CORPORATION,
ONE HUNDRED BROADWAY,
July 2, 1934.

KUHN, LOEB & Co.,
52 William Street, New York, N. Y.

GENTLEMEN: In view of the past relationships between your firm and Harris, Forbes & Company and subsequently Chase Harris Forbes Corporation, I am sure you will be interested to know that The First Boston Corporation has exercised its option to acquire the good will of the securities business of the Chase Harris Forbes companies (other than as pertaining to certain governmental and municipal financing) including preferential rights and the right to the name "Harris Forbes."

We expect to be active in the underwriting and distribution of new issues of high grade bonds, insofar as Harris, Forbes & Company or Chase Harris Forbes Corporation participated in underwritings and offerings headed by your-

selves, we will accordingly be pleased if you will substitute our name in your syndicate records in order that we may have the opportunity of considering future participations in such accounts.

We enclose a leaflet which indicates the scope of our organization and we look forward with pleasure to increasing the past pleasant relationships of your firm and our Corporation.

Yours very truly,

/s/ H. M. ADDINSELL,
Chairman of the Executive Committee.

HMA/g
Encl.

EXHIBIT No. 1620

[Statement submitted by George D. Woods, The First Boston Corporation, New York, N. Y.]

A STATEMENT REGARDING THE FIRST BOSTON CORPORATION

ORGANIZATION

The First Boston Corporation was organized as of June 27, 1932, under the laws of Massachusetts. The original title of the corporation was The First of Boston Corporation. It was organized for the purpose of taking over certain of the assets and personnel of The First National Old Colony Corporation, the investment affiliate of The First National Bank of Boston. Its capital stock was held by The First National Old Colony Corporation until January 1934 when The First National Bank of Boston took the stock into its own portfolio pending sale.

The First National Old Colony Corporation was organized in 1929 as a successor to The First National Corporation (organized in 1918 as an affiliate of The First National Bank of Boston) and Old Colony Corporation (organized in 1917 as a security affiliate of Old Colony Trust Company, Boston). At about the same time The First National Bank of Boston acquired the capital stock of Old Colony Trust Company.

NECESSITY FOR FIRST NATIONAL BANK OF BOSTON TO DISPOSE OF THE CORPORATION

In order to comply with the provisions of the Banking Act of 1933 (requiring that after June 16, 1934, no member bank of the Federal Reserve System should be affiliated in any manner with a corporation engaged in the securities business) The First National Bank of Boston in May 1934 decided to dispose of its holdings of the capital stock of The First of Boston Corporation.

SIMILAR SITUATION CONFRONTING THE CHASE NATIONAL BANK OF THE CITY OF NEW YORK

At the same time The Chase National Bank of the City of New York was similarly faced with the necessity of finally liquidating the corporate securities business formerly conducted by the Chase Harris Forbes Companies, subsidiaries of Chase Securities Corporation the capital stock of which was held by the stockholders of the Chase National Bank.

Chase Harris Forbes Companies was the name adopted by The Harris Forbes Companies, a Delaware corporation, on July 1, 1931, at which time the security business of Chase Securities Corporation and a substantial number of its personnel were combined with that of the subsidiaries of The Harris Forbes Companies, viz., Harris, Forbes & Co. (New York) and Harris, Forbes & Co., Inc. (Massachusetts) following the acquisition of the entire capital stock of The Harris Forbes Companies by Chase Securities Corporation on August 18, 1930. The Harris Forbes group had been one of the oldest and foremost underwriters and distributors of public utility securities in the country. It originated as a partnership in Chicago in 1882 under the name of N. W. Harris & Co., opened an office in Boston in 1886 and one in New York in 1890. Starting in December 1911 its eastern business was carried on under the name of Harris, Forbes &

Company. The western business was continued as the bond department of Harris Trust & Savings Bank. There was no corporate connection between these two organizations.

PLAN FOR BRINGING ABOUT THE PUBLIC OWNERSHIP OF THE FIRST BOSTON CORPORATION

The First of Boston Corporation had at no time employed a large corporate buying or underwriting staff. Its outstanding function was the buying and selling of government, municipal and corporate securities in the open market for customers and participating in underwritings headed by others. Chase Harris Forbes Corporation had a personnel trained in the underwriting of security issues. Consequently, a combination of these organizations seemed logical as they would supplement rather than duplicate each other. Accordingly, an arrangement was worked out whereby provision was made:

(a) for The First of Boston Corporation to change its name to The First Boston Corporation,

(b) for 222,000 shares, or about 44.4%, of the capital stock of The First Boston Corporation to be offered under rights to the stockholders of The Chase Corporation,

(c) for 222,500 shares, or about 44.5%, of the capital stock of The First Boston Corporation to be offered under rights to the stockholders of The First National Bank of Boston,

(d) for the remaining 55,500 shares of the capital stock of The First Boston Corporation (together with any amounts unsubscribed for under (b) and (c) above), to be offered to certain officers and employees of The First Boston Corporation and to certain others who had evidenced a desire to buy stock for investment,

(e) for The First of Boston Corporation to take over certain of the remaining employees of the Chase Harris Forbes Companies,

(f) for The First of Boston Corporation to acquire the right to use the name "Harris, Forbes & Co." and the good will incident to the security business of Chase Harris Forbes Corporation (other than that of government, state, municipal, political subdivision or governmental instrumentality financing).

The offering to stockholders of the two banks was made to stockholders of record on May 22, 1934; the total capital stock amounting to 500,000 shares was subscribed at \$18 per share and payment was made for the stock by the new stockholders on June 16, 1934. Upon completion of the sale of the stock, The First Boston Corporation became, for the first time, a publicly held corporation, no shares of which were owned either directly or indirectly by The First National Bank of Boston or The Chase National Bank of the City of New York.

The first record of stockholders made as of June 16, 1934 disclosed that there were approximately 7,500 stockholders with average holdings of approximately 67 shares. The largest stockholder at that time held 4.8% of the stock. The 10 largest stockholders at that date held in the aggregate approximately 33.4% of the stock.

On June 16, 1934 The First Boston Corporation had 692 officers and employees. Eight former officers and eleven former employees of the Chase Harris Forbes companies joined The First Boston Corporation in that month. Such officers and employees represents, therefore, approximately 2.8% of the total. The Board of Directors of the Corporation then comprised eleven individuals, of whom five were former officers of the Chase Harris Forbes companies. The officers of the Corporation consisted of a chairman of the board, president, chairman of the executive committee, sixteen vice presidents, a treasurer and a secretary, or a total of twenty-one officers. Of the twenty-one, eight were former officers of Chase Harris Forbes companies, or approximately one-third of the total.

IMPORTANCE OF NEW PERSONNEL TO THE FIRST BOSTON CORPORATION

The First Boston Corporation is not the corporate successor of the Chase Harris Forbes Companies. By virtue of acquisition of certain of the latter's personnel, however, it was in position to develop the business of underwriting

corporate securities. The principal individuals who had formerly been employed by the Chase Harris Forbes Companies and who joined The First Boston Corporation in May 1934 were as follows:

John R. Macomber, formerly Chairman of the Board of Chase Harris Forbes Corporation, who became the Chairman of the Board;

Harry M. Addinsell, formerly President of Chase Harris Forbes Corporation, who became Chairman of the Executive Committee;

Duncan R. Linsley, formerly a vice president of Chase Harris Forbes Corporation, who became a vice president and director;

George D. Woods, formerly a vice president of Chase Harris Forbes Corporation, who became a vice president and director;

George Ramsey (since deceased), formerly a vice president of Chase Harris Forbes Corporation, who became a vice president and director;

A. H. Wenzell, formerly a vice president of Chase Harris Forbes Corporation, who became a vice president; and

F. M. Stanton, formerly a vice president of Chase Harris Forbes Corporation, who became a vice president.

All of these men were engaged primarily in the underwriting end of the securities business of Chase Harris Forbes Corporation and all of them had been trained in the old firm of Harris, Forbes & Co. This group, together with certain of the other nineteen former employees of the Chase Harris Forbes companies who joined The First Boston Corporation, constituted the nucleus of the corporate buying department of The First Boston Corporation.

THE CORPORATION TODAY

The First Boston Corporation is an investment banking organization engaged primarily in the underwriting and distribution of governmental, municipal and corporate bonds, in the underwriting and distribution of corporate stocks and in the buying and selling of governmental, municipal and corporate bonds and bank and insurance stocks. It is the outgrowth of an investment security business started in Boston over twenty years ago and a similar business started in Chicago over sixty years ago. The Corporation maintains executive offices in New York and Boston and operates offices in Buffalo, N. Y., Chicago, Ill., Cleveland, Ohio, Hartford, Conn., San Francisco, Cal., Philadelphia and Pittsburgh, Pa., Providence, R. I., St. Louis, Mo. and Springfield, Mass. It has a representative in Albany, N. Y., Los Angeles, Cal., Rutland, Vt., Scranton, Pa. and Buenos Aires, Argentina and a European correspondent in London. On October 31, 1939 the Corporation had 416 employees, including three senior officers, seventeen vice presidents, a treasurer and a secretary.

The Board of Directors of The First Boston Corporation comprises twelve members, of whom ten are officers of the Corporation, one is the Chairman of the Board of the Corporation's European correspondent and one is the president of an investment service organization which owns no securities of the Corporation and none of whose securities are owned by the Corporation.

The Corporation on October 31, 1939 had a paid-in capital stock and surplus of \$9,000,000 and an earned surplus of approximately \$2,000,000, a total of approximately \$11,000,000. The capital stock is represented by 500,000 shares of \$10 par value each. At July 14, 1939 there were 9,940 stockholders with average holdings of just over 50 shares each (representing at the present market price an average investment of only \$800 each). At that date the largest single stockholder owned but 3.7% of the stock. Only three stockholders owned as much as 2% of the stock. The ten largest stockholders held in the aggregate only 87,292 shares of stock, or an average holding representing less than 1.75% of the voting power. Four of the ten largest stockholders are directors of the Corporation.

Among the security issues for which The First Boston Corporation has been the principal underwriter are those of a number of companies for which Chase Harris Forbes Corporation or Harris, Forbes & Co. had been the principal underwriter. It is my belief that the Corporation became the principal underwriter in such situations because of three facts: (a) The Corporation, as a publicly owned company, started operations with and continued to have abundant and liquid capital—never less than \$9,000,000; (b) the Corporation had a strong and competent sales department for the distribution of securities and an excellent general reputation with investors; (c) the trained and experienced corporate buying staff which the Corporation acquired in 1934 aggressively sought in every legiti-

mate way to convince the former clients of Chase Harris Forbes Corporation and Harris, Forbes & Co.—with most of whom the staff had previously had business relationships over a period of many years—that The First Boston Corporation was entirely competent from every point of view to do a better job for them than could any other investment banking house.

Except as from time to time The First Boston Corporation may purchase shares of stock for distribution to clients or other dealers, the Corporation has no ownership of securities in commercial banks or public utility operating or holding companies.

Commencing as of December 31, 1934, The First Boston Corporation has published and distributed to its stockholders and to the general public upon request annual reports containing certified financial statements.

DECEMBER 12, 1939.

EXHIBIT No. 1621

[Letter from The First Boston Corporation to Investment Banking Section, Monopoly Study, Securities and Exchange Commission]

THE FIRST BOSTON CORPORATION,
100 BROADWAY,
New York, April 13th, 1939.

Mr. PETER R. NEHEMKIS, Jr.,
*Special Counsel, Investment Banking Section, Monopoly Study,
Securities and Exchange Commission, Washington, D. C.*

DEAR SIR: As requested in your letter dated March 25th, we take pleasure in sending you herewith a list showing the present officers and directors of this corporation, indicating the date when each became associated with our corporation, and specifying for each such person his affiliation during the period from January 1, 1929 to date.

We hope this statement is entirely clear and that it will fill your requirements. If you require further information or explanation, we will be glad to have you advise us.

Very truly yours,

A. E. BURNS, *Assistant Secretary.*

Encls.

The First Boston Corporation—Officers and Directors

Name	Affiliation	Title	Period
John R. Macomber	Harris, Forbes & Co., Inc. (Mass.)	President and Director.	Jan. 1, 1929 to June 1931.
	Chase Harris Forbes Corp.	Chairman of Board.	July 1, 1931 to Dec. 31, 1933.
	The First Boston Corp.	Chairman of Board.	May 7, 1934 to date.
Allan M. Pope	The First Boston Corp. and its predecessors.	President and Director.	January 1, 1929 to date.
Harry M. Addinsell	Harris, Forbes & Co.	Vice-Pres., Secy. and Director.	Jan. 1, 1929 to June 30, 1931.
	Chase Harris Forbes Corp.	President and Director.	July 1, 1931 to Dec. 31, 1933.
	The First Boston Corp.	Chairman Exec. Comm. & Director.	May 7, 1934 to date.
James Coggeshall Jr.	The First Boston Corp. and its predecessors.	Vice President and Director.	Jan. 1, 1929 to date.
Eugene I. Cowell	The First Boston Corp. and its predecessors.	Vice President and Director.	Jan. 1, 1929 to date.
Nevil Ford	The First Boston Corp. and its predecessors.	Vice President and Director.	Jan. 1, 1929 to date.
R. Parker Kuhn	The First Boston Corp. and its predecessors.	Vice President.	Jan. 1, 1929 to date.
Duncan R. Linsley	Harris, Forbes & Co.	Employee.	Jan. 1, 1929, August, 1930.
	Id.	Director.	August, 1930, June 30, 1931.
	Chase Harris Forbes Corp.	Vice President.	July 1, 1931, Dec. 31, 1933.
	The First Boston Corp.	Vice President and Director.	May 7, 1934 to date.

The First Boston Corporation—Officers and Directors—Continued

Name	Affiliation	Title	Period
L. Meredith Maxson.....	The First Boston Corp. and its predecessors.	Vice President.....	Jan'y. 1, 1929 to date.
John C. Montgomery.....	The First Boston Corp. and its predecessors.	Vice Pres., Treas. and Director.....	Jan'y. 1, 1929 to date.
Louis G. Mudge.....	The First Boston Corp. and its predecessors.	Vice President.....	Jan'y. 1, 1929 to date.
William H. Potter, Jr.....	The First Boston Corporation and its predecessors.	Vice President and Director.....	Jan'y. 1, 1929 to date.
George B. Seager.....	The First Boston Corporation and its predecessors.	Vice President.....	Jan'y. 1, 1929 to date.
Frank M. Stanton.....	Harris, Forbes & Co.....	Employee.....	Jan'y. 1, 1929, August, 1930.
	Id.....	Director.....	August, 1930, June 30, 1931.
	Chase Harris Forbes Corp.....	Vice President.....	July 1, 1931, Dec. 31, 1933.
	The First Boston Corporation.....	Vice President.....	May 7, 1934 to date.
Winthrop E. Sullivan.....	The First Boston Corporation and its predecessors.	Vice President.....	Jan'y. 1, 1929 to date.
Arthur C. Turner.....	The First Boston Corporation and its predecessors.	Vice President and Director.....	Jan'y. 1, 1929 to date.
Adolphe H. Wenzell.....	Harris, Forbes & Co.....	Employee.....	Jan'y. 1, 1929, June 30, 1931.
	Chase Harris Forbes Corp.....	Vice President.....	July 1, 1931, Dec. 31, 1933.
	The First Boston Corporation.....	Vice President.....	June 1, 1934 to date.
Herbert T. C. Wilson.....	The First Boston Corporation and its predecessors.	Vice President.....	Jan'y. 1, 1929 to date.
George D. Woods.....	Harris, Forbes & Co.....	Employee.....	Jan'y. 1, 1929, August, 1930.
	Id.....	Director.....	August, 1930, June 30, 1931.
	Chase Harris Forbes Corp.....	Vice President.....	July 1, 1931, Dec. 31, 1933.
	The First Boston Corporation.....	Vice President and Director.....	May 7, 1934 to date.
Thomas Coggeshall.....	The First Boston Corporation and its predecessors.	Foreign Vice President.....	Jan'y. 1, 1929 to date.
Alfred A. Geradc.....	The First Boston Corporation and its predecessors.	Comptroller.....	Jan'y. 1, 1929 to date.
Arthur B. Kenney.....	The First Boston Corporation and its predecessors.	Secretary and Director.....	Jan'y. 1, 1929 to date.
Joseph W. Hambuechen.....	Wassermann & Company, Berlin, Germany.	Partner.....	January 1929 to 1935.
	The First British American Corporation, Ltd., London, England.	Chairman of Board.....	1935 to date.
	The First Boston Corporation.....	Director.....	June 12, 1935 to date.
James H. Orr.....	Stone & Webster Investing Corp., 49 Federal St., Boston, Mass.	Vice President and Director.....	1929-1931.
	Investment Service Corp., 49 Federal St., Boston, Mass.	President.....	1931 to date.
	The First Boston Corporation.....	Director.....	Feb'y. 16, 1939 to date.

EXHIBIT No. 1622

[Prepared by The First Boston Corporation]

THE FIRST BOSTON CORPORATION

List of holders of 500 shares and over as of record at the close of business June 17, 1939

Stone & Webster, Inc., 49 Federal St., Boston, Mass.....	18,480
Addinsell, Harry M., % The First Boston Corp., 100 Broadway, New York.....	11,500
Moseley, F. S. & Co., 50 Congress St., Boston, Mass.....	11,430
Skelton & Co., 67 Milk St., Boston, Mass.....	9,748

*List of holders of 500 shares and over as of record at the close of business
June 17, 1939—Continued*

Macomber, John R., % The First Boston Corp., 1 Federal St., Boston, Mass.	7,500
Hambuechen, J. W., % Foreign Dept., The First Natl. Bank of Boston, 67 Milk-St., Boston, Mass.	7,228
Wiggin, Albert H., 20 Pine St., New York, N. Y., Room 2601	7,176
Chase, Henderson & Tenant, 56-69 New Broad St., London E. C., England	5,930
Ford, Nevil, % The First Boston Corp., 100 Broadway, New York, N. Y.	4,400
Wilde, Bertram M., 1529 Walnut St., Philadelphia, Pa.	4,000
Cudd & Company, % Chase Natl. Bank, Personal Tr. Dept., 11 Broad St., New York, N. Y.	3,911
Jackson & Curtis, 10 P. O. Sq., Boston, Mass.	3,271
Wilmington Trust Co., Wilmington, Dela.	2,500
Pickering, L. D. & Co., 40 Wall St., New York, N. Y.	2,238
Oldwood, Inc., 734 Hospital Tr. Bldg., Providence, R. I.	2,040
Branch-Brook, Inc., % Merchants & Newark Tr. Co., 763 Broad St., Newark, N. J.	2,000
Pearl Assurance Company, Limited, High Holborn, London, W. C. 1, England	2,000
Lee, Higginson Corporation, 50 Federal St., Boston, Mass.	2,000
Potter, William H., Jr., % The First Boston Corp., 1 Federal St., Boston, Mass.	2,000
Quantrell, Ernest E., 15 Broad St., New York, N. Y.	2,000
Brown Brothers Harriman & Co., 59 Wall St., New York, N. Y.	1,881
Ince & Co., % Guaranty Tr. Co. of N. Y., 140 Broadway, New York, N. Y.	1,725
Hare & Co., % Bank of N. Y. & Tr. Co., 48 Wall St., New York, N. Y.	1,661
Pierce, E. A. & Co., 40 Wall St., New York, N. Y.	1,561
Scherer, Clifford F., % British Assets Tr. Limited, 26 Journal Sq., Jersey City, N. J.	1,500
King & Co., % City Bank Farmers Tr. Co., 22 William St., New York, N. Y.	1,441
Sigler & Co., % Cen. Hanover Bank & Tr. Co., 70 Broadway, New York, N. Y.	1,410
Lombard & Co., 214 St. James St., W., Montreal, Quebec	1,400
Outwater, Leonard & Co., 52 William St., New York, N. Y.	1,400
Hirshbergq, Julian R., 1301 Citizens & Southern Natl. Bank Bldg., Atlanta, Ga.	1,355
Tucker, Anthony & Co., 120 Broadway, New York, N. Y.	1,335
Pratt Bros., 90 Broad St., New York, N. Y.	1,229
Creighton, Albert M., 50 Congress St., Boston, Mass.	1,200
Garner & Co., 140 Broadway, New York, N. Y.	1,200
Doering, O. C., 333 N. Michigan Ave. Bldg., Chicago, Ill.	1,162
Green Estate Inc., 111 Broadway, Rm. 1104, New York, N. Y.	1,014
Anderson, George L., % Grace R. Anderson, Excrx., 417 Stockton St., San Francisco, Calif.	1,000
Babson, Roger W., 67 Wellesley Ave., Wellesley, Mass.	1,000
Batterman, Henry L., 60 E. 42nd St., New York, N. Y.	1,000
Carey, Ralph C., % The Scottish American Investment Co., Limited, 26 Journal Sq., Jersey City, N. J.	1,000
Countway, Francis A., 164 Broadway, Cambridge, Mass.	1,000
Ferris, Cyrus Y., 49 Federal St., Boston, Mass.	1,000
Gunn & Co., 40 Wall St., New York, N. Y.	1,000
Hill, Lucy W., 19 Commonwealth Ave., Boston, Mass.	1,000
Wood, Willis D., % Wood Low & Co., 63 Wall St., New York, N. Y.	1,000
Maryland Casualty Company, 701 W. 40th St., Baltimore, Md.	1,000
Moerberly, Edward E., % Marine Midland Tr. Co., 130 Chambers St., New York, N. Y.	1,000
Stone, Charles A., % Investors Records Corp., 90 Broad St., New York, N. Y.	1,000
Westaway, Robert, 40 W. 40th St., New York, N. Y.	1,000

*List of holders of 500 shares and over as of record at the close of business
June 17, 1939—Continued*

Kollstede, Chas. A., % Goodbody & Co., 111 Broadway, New York, N. Y.	995
Monks, Mrs. Olga E., 10 P. O. Sq., Rm. 1022, Boston, Mass.	992
Moore, Charles B., 420 Pine St., Texarkana, Texas.	990
Glavin, Charles F., Escanaba, Mich.	980
Mead, Theodore S., % The First Boston Corporation, 1616 Walnut St., Philadelphia, Pa.	925
Sargent, Albert J., R. F. D., Boxboro, West Acton, Mass.	845
The National Bank & Trust Co. of Erie, trustee under agreement with David N. McBrier, dated Dec. 31, 1934, Erie, Pa.	836
Tarr & Co., % Old Colony Trust Co., Box 2017, Boston, Mass.	810
Addinsell, Florence Moberly, % The New York Tr. Co., 1 E. 57th St., New York, N. Y.	800
Gardner, George P., G. Peabody Gardner, Jr., trustees under will of George A. Gardner, 10 P. O. Sq., Boston, Mass.	800
Kuhn, R. Parker, % The First Boston Corp., 100 Broadway, New York, N. Y.	800
Ladenburg, Thalmann & Co., 26 Broad St., New York, N. Y.	800
Herrick, Robert F., Philip Stockton & Edward A. Taft, trustees under will A. J. Tower, 1 Federal St., Boston, Mass.	773
Gude, Winmill & Co., 1 Wall St., New York, N. Y.	730
Hubbard, Mrs. Annie, 192 Hancock St., Everett, Mass.	725
Bonifas, William, 750 Lake Shore Dr., Escanaba, Mich.	712
Amory, William, 160 State St., Boston, Mass.	700
Brown, Emma J., % George R. Brown, 140 Federal St., Boston, Mass.	700
Heidelberg, Ickelheimer & Co., 40 Wall St., New York, N. Y.	700
Moore, D. T. & Co., 50 Broad St., New York, N. Y.	700
Quantrell, Mrs. Lulu M., 5 Leonard Rd., Bronxville, N. Y.	700
Sinn, Herbert C., 4700 Ramona St., Frankford, Philadelphia, Pa.	700
Smith, Lloyd W., Madison, N. J.	700
Ziegler, Gladys W., % the Chase Natl. Bank, Tr. Dept., 11 Broad St., New York, N. Y.	700
Oliver, James, 2nd, Gertrude Oliver Cunningham, Joseph D. Oliver, Jr., & Susan Catherine Oliver, trustees under indenture dated Dec. 30, 1919, South Bend, Ind.	687
Adams, Charles F., 101 Milk St., Boston, Mass.	672
Kane & Co., % the Chase Natl. Bank, Personal Tr. Dept., 11 Broad St., New York, N. Y.	666
Hanks, Robert C., 20 Cobane Terr., West Orange, N. J.	653
Rosenthal, Morris, 204 Summer St., Boston, Mass.	650
Prince, F. H. & Co., Ames Bldg., Boston, Mass.	621
Carmen, Jacob, 68 Devonshire St., Boston, Mass.	620
Brown, Nannie Inman, Glen Cove, Long Island, N. Y.	600
Dryfoos, Stephen M., 424 Madison Ave., New York, N. Y.	600
The Economic Trust, Limited, London Agency, 25-31 Moorgate, London E. C. 2, England.	600
Hornblower & Weeks, 40 Wall St., New York, N. Y.	600
Merrill, Mrs. Martha S., % Old Colony Trust Co., Box 2017, Boston, Mass.	600
Morss, John Wells, % Boston Safe Dep. & Tr. Co., 100 Franklin St., Boston, Mass.	600
Parris, Larkin H., % The Citizens & Southern Natl. Bank, Atlanta, Ga.	600
Schroeder, J. Henry & Co., 145 Leadenhall St., London, E. C. 3, England.	600
Young, Moore & Co. (Co-Partnership), Kanawha Valley Bldg., Charleston, W. Va.	600
White, Weld & Co., 40 Wall St., New York, N. Y.	590
Winckler, Onderdonk & Co., 35 Nassau St., New York, N. Y.	590
Linsley, Duncan R., % the First Boston Corporation 100 Broadway, New York, N. Y.	589
Draper Corporation, Hopedale, Mass.	572

*List of holders of 500 shares and over as of record at the close of business
June 17, 1939—Continued*

Stephenson, Florence B., % George R. Brown, 140 Federal St., Boston, Mass-----	557
Wainwright, H. C. & Co., 60 State St., Boston, Mass-----	557
Shearson, Hammill & Co., 14 Wall St., New York, N. Y-----	552
Auncincloss, Parker & Redpath, 719—15th St., N. W. Washington, D. C-----	540
Bow & Co., % Second Natl. Bank, Tr. Dept., Wilkes Barre, Pa-----	532
Ernst, Alfred G., 63 Wall St., New York, N. Y-----	528
Welles, C. E. & Co., 25 Broadway, New York, N. Y-----	510
Bamford, Robert T. & Mrs. Isabel E. Bamford, joint tenants with right of survivorship and not as tenants in common, 8 Central St., Ipswich, Mass-----	500
Bankmont & Co., % Bank of Montreal, Montreal, Quebec, Canada-----	500
Best, Frederick W., 295 Madison Ave., New York City, N. Y-----	500
Boca Land Co., % Mr. Herman Coggins 354 Pine St., San Francisco, Calif-----	500
Canadian Investors Corporation Limited, 900 Metropolitan Bldg., Toronto, 2, Ontario, Canada-----	500
Coe, Francis L., % Jefferson Mfg. Co., Jefferson, Mass-----	500
Colt, Mrs. Frances C., 16 Colt Rd., Pittsfield, Mass-----	500
Conley, John S., 265 W. Promenade, Portland, Me-----	500
Dodge, Henry H., 385 Water St., Ellsworth, Me-----	500
Dreiske, Louis F., 6063 Yucca, Los Angeles, Calif-----	500
Frost, Edward J., 426 Washington St., Boston, Mass-----	500
Gardner, George P., G. Peabody Gardner Jr., trustees under indenture dated Dec. 21, 1934, 10 P. O. Sq., Boston, Mass-----	500
Greenough, Malcolm W., P. O. Box 31, Boston, Mass-----	500
Herb, Jacob, 192 Drake Ave., New Rochelle, N. Y-----	500
Heidrich, Arthur G., % Peoria Cordage Co., Peoria, Ill-----	500
Hirsh, Louise B. T., % Tradesmens Natl. Bank & Tr. Co., 1420 Walnut St., Philadelphia, Pa-----	500
Kerney, J. Edwards, 221 Waterman St., Providence, R. I-----	500
Kitcat & Aitken, 9 Bishopsgate, London. E. C. 2, England-----	500
Kuhn, Mrs. Margaret N., % the New York Trust Co., Income Collection Dept., 100 Broadway, New York, N. Y-----	500
Maher & Co., 40 Wall St., New York, N. Y-----	500
Massachusetts General Hospital, 1 Federal St., Boston, Mass-----	500
Merrill, Joseph L., 20 Lamington Rd., Bedminster, N. J-----	500
Morton, Miss Mary R., 15 Beech Tree Lane Bronxville, N. Y-----	500
Oberempt & Co., 100 Broadway, New York, N. Y-----	500
Richardson, Howard P., % The First Boston Corporation 100 Broadway, New York, N. Y-----	500
Tucker & Co., 46 William St., New York, N. Y-----	500
Turner, Paul N., % New York Trust Co., Income Collection Dept., 100 Broadway, New York, N. Y-----	500
Walter, C. O. & Co., 66 Beaver St., New York, N. Y-----	500
Whitten, Charles E., 57 Carter Rd., Lynn, Mass-----	500

OLD COLONY TRUST COMPANY,

By _____,
Assistant Secretary.

EXHIBIT No. 1623

Prepared by the staff of the Investment Banking Section, Monopoly Study, Securities and Exchange Commission]

Participations of Stone & Webster and Blodget, Inc., in issues managed by The First Boston Corporation from June 14, 1934, to June 30, 1939

[Amounts in thousands of dollars]

Date of Offering Prospectus	Issue	Amount of Issue	Amount of First Boston Participation	Amount of Stone & Webster and Blodget, Inc. Participation	Stone & Webster and Blodget, Inc. Participation as Percentage of Amount of Issue	Stone & Webster and Blodget, Inc. Participation as Percentage of First Boston Corporation Participation
7/2/34	Edison Elec. Ill. Co. of Boston 3s of 1937	35,000	8,750	875	2.5	10.0
10/29/34	Edison Elec. Ill. Co. of Boston 3s of 1937	20,000	5,000	500	2.5	10.0
7/19/35	Edison Elec. Ill. Co. of Boston 3½s of 1965	53,000	10,600	1,525	2.9	14.4
4/22/35	So. Cal. Edison Co., Ltd. 3½s of 1960	73,000	18,250	730	1.0	4.0
7/1/35	So. Cal. Edison Co., Ltd. 3½s of 1960	35,000	8,750	350	1.0	4.0
9/17/35	So. Cal. Edison Co., Ltd. 4s of 1960	30,000	7,500	300	1.0	4.0
9/17/35	So. Cal. Edison Co., Ltd. Debentures due 1936-45	27,500	12,125	205	0.7	1.7
5/1/35	Commercial Credit Co. 5½% Conv. Pfd. Stock	19,372	2,061	350	1.8	16.9
6/15/36	Commercial Credit Co. 4½% Cum. Conv. Pfd. Stock	25,000	4,000	900	3.6	22.5
10/8/36	Commercial Credit Co. 3½s of 1951	30,000	4,000	1,400	4.6	35.0
6/16/37	Commercial Credit Co. 2½s of 1942	35,000	6,500	1,400	4.0	21.5
7/18/35	Duquesne Light Co. 3½s of 1965	70,000	15,475	700	1.0	4.5
10/2/35	Atlanta Gas Light Co. 4½s of 1955	5,000	1,450	250	5.0	17.2
11/14/35	Central Maine Power Co. 4s of 1960	15,600	3,240	459	2.9	14.2
10/26/36	Central Maine Power Co. 3½s of 1966	14,000	3,000	575	4.1	19.2
3/26/36	Eastern Gas & Fuel Associates 4s of 1956	75,000	9,000	3,000	4.0	33.3
4/20/36	Wisconsin Gas & Electric Co. 3½s of 1966	10,500	1,625	250	2.3	15.4
7/16/36	Naragansett Electric Co. 3½s of 1966	34,000	8,075	1,000	3.0	12.4
4/31/36	Wisconsin Michigan Power Co. 3½s of 1961	10,500	1,625	250	2.3	15.4
12/15/36	Missouri Power & Light Co. 3½s of 1966	9,000	2,000	650	7.2	32.5
10/6/37	Idaho Power Co. 3½s of 1967	18,000	4,300	300	1.7	6.9
10/28/37	North Boston Lighting Properties 3½s of 1947	13,000	2,500	250	1.9	10.0
8/10/38	The Toledo Edison Co. 3½s of 1968	30,000	5,000	1,000	3.3	20.0
4/24/39	Gatineau Power Co. 3½s of 1969	52,500	6,990	867	1.6	12.4

Source: Compiled from the registration statements relating to the respective issues on file with the Securities and Exchange Commission.

EXHIBIT No. 1624

[From the files of Lehman Brothers]

APRIL 4, 1934.

MEMORANDUM RE RELATIONS WITH SUCCESSOR COMPANY TO FIRST OF BOSTON CORPORATION

Last Thursday I lunched at the First of Boston Corporation with Mr. Nevil Ford who, jointly with Mr. Pope, is one of the senior officers of the Corporation. Mr. Ford is a personal friend of long standing.

We discussed two subjects, first, the reorganization plan whereby the new company "The First Boston Corporation" will be established to continue in the issuing business, and second, the possibility of this new company and Lehman Brothers working more closely together, especially through the inclusion of Lehman Brothers in certain underwriting groups in place of bank affiliates and/or private firms which have gone out of business or have weakened as to ability to assume commitments.

With regard to the future organization plans of the First of Boston Corporation, I gathered that final legal details had not been agreed upon by attorneys, but that the program in general contemplated a joining of forces of the First of Boston Corporation and the Chase Harris Forbes organizations under a plan whereby subscription rights could be offered to the present shareholders of the First National Bank of Boston and the Chase National Bank in such proportions as would give neither of these share holding groups control of the new company. A percentage of the shares of the new company would be reserved for subscription by certain senior officers of the existing organizations who would become the senior management of the new company, namely, Mr. Pope, Mr. Ford and two senior officers of Chase Harris Forbes.

With regard to future relations between the new company and Lehman Brothers, Mr. Ford was most optimistic that cooperation would be possible, and was quite definite in expressing a desire on the part of himself and his associates to include Lehman Brothers in business in which we had not been represented previously. He said that a reconstitution of groups had not been discussed with the Chase Harris Forbes people, but that as soon as the legal formalities for the establishment of the new company had been finished attention would be turned to a survey of existing business in both organizations. Mr. Ford said that he recognized that there would be many holes in previous groups and that wherever it was possible he would try to discuss with us the possibility of our joining. I mentioned one specific case,—that of Boston Edison. He replied that in this particular instance he doubted whether anything could be done since the credit of this company is so well known that every member of the existing group is constantly pressing for a larger participation and a number of Boston houses previously not included have almost irresistible prior claims to include them. As he humorously remarked, "it was always a fight for the First of Boston to stay in the business itself because of the pressure from other Boston houses to slice off pieces of the First of Boston's participation".

I shall follow up my conversations with Mr. Ford again, and shall arrange to have him over to lunch with the firm in the near future.

D. R.
DORSEY RICHARDSON.

CC: Mr. Robert Lehman
Mr. Gutman
Mr. Mazur
Mr. Hertz
Mr. Hammerslough

EXHIBIT No. 1625

[From the files of The First Boston Corporation]

THE FIRST OF BOSTON CORPORATION,
Boston, Massachusetts, August third, 1934.

MY DEAR MR. HARRIS: I received a letter from Mr. A. B. Hancock which I think finally closed the business sale of the four yearlings for \$4,500 as the prospective buyer has not shown up with the money, so we will put the yearlings through the sales ring. If you have no objections, I think I will bid on the Firetop filly and try to buy her if she does not go too high. It may be possible we shall be agreeably disappointed in the prices that these yearlings bring for, as I told you, I do not think they will bring very much. On the other hand, there is a scarcity of prospective racers due to the opening up of many new tracks on account of the liberalization of the betting laws of various states. I am going to try to go up to our sale, although it comes on a Wednesday, but I want to be there if possible.

I don't know whether you heard that Harry has been laid up with a bad foot, which goes back to a splinter he got in it some time ago. He has been fussing with it at intervals for a considerable period and it has been bothering him very

much for the last few weeks. This resulted in what Harry calls a minor operation a few weeks ago but which looked quite like a major one to me and which will keep him off his foot for a matter of several weeks. I spent last Tuesday night with him and he is progressing very satisfactorily and I think he will be hobbling about on crutches in a week or so, but he will have to use them for at least another six weeks. Harry said at that time that as soon as he was around again he wanted to join with me in a visit to Chicago, when you would surely be there, to talk over various matters, which leads me to comment on one in particular which has come up in the last two or three days.

When I was in New York last week, I had luncheon with Mr. Burnett Walker at his request. Walker, you will remember, was with us in the early days and then became vice president of the Guaranty Company. In the unwinding of that organization, he is now a partner of E. B. Smith & Co., which firm, without any formal agreement, has, I am sure, the goodwill of the Guaranty Trust Company itself as far as business which the company cannot transact is concerned, and I think they will be a fairly important factor in certain classes of issue business in the future. Joe Swan, the old president of the Guaranty Company, also is a partner of Edward B. Smith & Co., and one or two others of the old Guaranty men are associated there also. They are a pretty energetic and resourceful group.

Walker told me that he was going to the Pacific Coast to spend a week or two with his family at Santa Barbara but in the course of his visit he was going to see Mr. H. J. Bauer, Chairman of Southern California Edison Company, and he asked me if we had any objection to his so doing, with the thought in mind that Edward B. Smith & Co. would like to look forward to a participation in any Southern California Edison financing. I told him that this business had always been headed up by the Harris Trust & Savings Bank, although as their eastern associates, Harris, Forbes had had a share in it, but more than that, any business had particularly been headed up in your good self. Therefore, I really was not in a position to say very much about it but, naturally, couldn't object to his calling on them. I said to him, however, that I would suggest that, as he was spending a day or two in Chicago, before seeing Mr. Bauer on this phase of the business, I thought it would be courteous for him to see you.

You will recall that while the Guaranty Company was still in existence, they spent some time trying to effect the sale of the San Diego Consolidated Gas & Electric Company to the Southern California Edison Company and in connection with these discussions Mr. O'Brien made several trips to the Coast. Nothing developed from these conversations. Confidentially, I rather feel that Mr. Walker may reopen the San Diego discussion with Mr. Bauer and it might be natural for him to say to Mr. Bauer that in the event he was interested in acquiring San Diego, E. B. Smith & Co. would be glad to assist in raising the money.

I myself feel that if there are any discussions reopened about the sale of the San Diego Gas to Southern California Edison, I fail to see the necessity of any outside intermediary in view of the close relationships existing with the Byllesby people and your close relationship with Mr. Bauer. I don't know that there is any new issue business for Southern California Edison Company imminent at the present time but as the Bank, under the new laws, would apparently be excluded from doing it, we just wanted to register the idea with you, if there were any, that if and when any business comes along which is outside of the Bank's province, we, in view of Harris Forbes' long association with it, would naturally like very much to carry on. Under the circumstances, we have not felt that we should communicate with the company, but as it is apparent that another investment banker, and possibly several, may contemplate becoming active on this subject, we do not want, so to speak, to be left at the post. Nevertheless, we should not think of doing anything about it without your entire approval in advance, but if you have any thoughts, we would be grateful of a line from you at this time.

Things are going fairly well with us here in the Corporation. We were very fortunate in having two good pieces of business in the first month of operation with the Edison and Western Mass. loans and, as you can well realize, this helps tremendously and particularly just as we were getting squared away. I should have disliked very much to see us run into a deficit, which might be possible but which, fortunately, is taken care of for a while.

We have had some grand rains in New England the past week and while the trees look a bit ragged through the country, the lawns and fields are green again, and the country does look delightful.

Hope Harry and I can make our visit when we can spend a day in the country with you, for I feel absolutely out of touch with all of your sporting activities, and as things seem to be getting on a pretty even keel here, I do not propose to neglect this side of life entirely as I have done for the past year.

My love to Mrs. Harris and yourself.

Cordially,

JRM:HEA

Mr. ALBERT W. HARRIS,
115 West Monroe Street, Chicago, Illinois.

EXHIBIT No. 1626-1

[Letter from Harris, Hall & Company, Incorporated, to Investment Banking Section, Monopoly Study, Securities and Exchange Commission]

HARRIS, HALL & COMPANY

(Incorporated)

111 WEST MONROE STREET

Telephone Randolph 5422

CHICAGO, September 25, 1939.

Mr. W. S. WHITEHEAD,

% Securities and Exchange Commission,
Washington, D. C.

DEAR MR. WHITEHEAD: Referring to our telephone conversation of Saturday, I have obtained for you a letter of July 25, 1930, addressed to the Harris Trust and Savings Bank, Chicago, and signed by Harris, Forbes & Company, New York, and Harris, Forbes & Company, Inc. of Boston, confirming the reciprocal arrangement which had hitherto existed between these concerns with respect to the purchase and marketing of securities. This is the only written memorandum with respect to this matter which we have been able to find, and I recall that it was reduced to writing at that time because the Chase Securities Corporation had on or about July 1, 1930, purchased all the stock of Harris, Forbes & Company and Harris, Forbes & Company, Inc.

I was with the Bond Department of the Harris Trust and Savings Bank from 1909 until 1935 when Harris, Hall & Company was incorporated, and from 1929 to 1935 was a vice president of the Bank with duties in the Bond Department.

I am glad to give you the following brief outline of the history of the Harris Organization, which I give from personal knowledge except as to some of the very early history.

The firm of N. W. Harris & Company began business in Chicago May 1, 1882. The Boston office was opened in September, 1886; the New York office in October, 1890.

The Harris Trust and Savings Bank was incorporated in 1907 and took over the business of N. W. Harris & Company in the territory including the Central States and extending west to the Pacific Coast. The New York and Boston offices continued as a co-partnership with Mr. N. W. Harris the senior partner. In 1911 the eastern offices were incorporated, the name in New York becoming Harris, Forbes & Company and N. W. Harris & Company, Inc. in Boston. In 1916 the name in Boston was also changed to Harris, Forbes & Company.

In 1930 the stock of Harris, Forbes & Co. was sold to the Chase Securities Corporation, and in 1931 the business of Harris, Forbes & Co. was consolidated with that of the Chase Securities Corporation and the name was changed to Chase Harris Forbes Corporation.

For a brief period, namely, from sometime in 1929 until 1934 when the provisions of the Banking Act of 1933 having reference to security affiliates became effective, an affiliate of the Harris Trust and Savings Bank called The N. W.

Harris Company was in business. The stock of The N. W. Harris Company was not owned by the Bank but was held by trustees for the ratable benefit of all stockholders of the Bank. This company did some business in stocks in 1929 and 1930 and then in 1931 after Chase Harris Forbes Corporation had taken over the eastern business so that the division of territory no longer was appropriate, The N. W. Harris Company opened an office in New York to handle bond business in the East as a correspondent of the Bank's Bond Department.

When bank affiliates were outlawed by the Banking Act, The N. W. Harris Company discontinued business and was liquidated.

From the early part of 1929 until July 1, 1931, when the Chase Harris Forbes Corporation was formed, the Harris Trust and Savings Bank was given the opportunity to participate on original terms to the amount of 30% of total purchases of corporate bonds purchased by Harris Forbes & Company. These were simply opportunities to participate and not in every case were they accepted.

Conversely, Harris Forbes & Company were given the opportunity to participate to the extent of 70% in purchases of corporate bonds made by Harris Trust and Savings Bank. This participation was not always accepted by Harris Forbes & Company.

For several years prior to the above the percentages were Harris Trust and Savings Bank 33 1/3%, Harris Forbes & Company 66 2/3%.

We are unable to locate the exact date when that practice came into operation but it extended over many years.

When the business of Harris, Forbes & Co. was transferred to the Chase Harris Forbes Corporation in 1931, the agreement referred to was terminated and no agreement of similar nature between its parties or any of their successors has been in existence since that time.

Yours very truly,

Edward B. Hall.
IMN

EDWARD B. HALL.

EXHIBIT No. 1626-2

[Enclosed with "Exhibit No. 1626-1"]

[Copy]

JULY 25TH, 1930.

HARRIS TRUST & SAVINGS BANK,
Chicago, Illinois.

DEAR SIR: This letter will serve to confirm our understanding that we have mutually agreed to continue until December 31st 1932, our now existing reciprocal arrangements with respect to the purchase and marketing of securities. Under these arrangements you shall be given an opportunity to participate on original terms, to the amount of thirty percent of our interest therein, in our purchases of issues of bonds, notes or debentures. Similarly in connection with the purchase of stocks we are to offer your securities company, namely The N. W. Harris Company, a twenty percent interest in such purchases. Conversely, we understand that in connection with issues of bonds, notes or debentures that you purchase, we shall be given an opportunity to participate on original terms to the amount of seventy percent of your interest therein. Similarly in connection with the purchase of stock you are to offer us an eighty percent interest in such purchases.

As regards marketing securities so purchased by either of us it is agreed that you shall have the exclusive right as between you and us to advertise and offer for sale both at wholesale and retail any and all securities in a territory including the States of Michigan, Indiana, Kentucky, Tennessee, Arkansas, Texas and all states lying West thereof and in the Territory of Hawaii. We and our subsidiary companies have exclusive sales rights elsewhere in the United States and in Canada and Europe.

It is understood that the above arrangement does not apply to any securities that you may purchase in the ordinary conduct of your general banking and trust business or to any purchase by us for investment or not in the usual course of our respective businesses.

The foregoing outlines the basis on which we mutually desire to continue the existing reciprocal arrangement, the principle back of which is that your organization and ours shall endeavor to operate as a national organization in

the purchase and sale of securities on the basis outlined, and it is our mutual understanding that the general details of the administration of the foregoing shall be conducted as heretofore.

If the foregoing is in accordance with your understanding will you please confirm by signing the attached copy of this letter.

Yours very truly,

By (Signed) HARRIS, FORBES & COMPANY,
H. M. ADDINSELL,
Vice President.

By (Signed) HARRIS, FORBES & COMPANY, INC.,
W. E. MCGREGOR,
Vice President.

The foregoing correctly states our understanding.

HARRIS TRUST AND SAVINGS BANK,
By (Signed) FRANK MCNAIR,
Vice President.

EXHIBIT No. 1627

[Letter from Harris, Hall & Company, Incorporated, to Investment Banking Section, Monopoly Study, Securities and Exchange Commission].

HARRIS, HALL & COMPANY (Incorporated)

111 WEST MONROE STREET
Telephone Randolph 5422

CHICAGO, September 18, 1939.

MR. PETER R. NEHEMKIS, Jr.,

Special Counsel, Investment Banking Section,

Securities and Exchange Commission, Washington, D. C.

DEAR MR. NEHEMKIS: In accordance with your request of September 15, I am pleased to furnish you with the following information regarding our present capitalization, the most recent list of stockholders, and the original capitalization at the time of formation.

The present capitalization of Harris, Hall & Company is as follows:

Preferred Stock (par value \$100)

Authorized-----	2,500 shares
Outstanding-----	2,500 "

Common Stock (par value \$10)

Authorized-----	80,000 shares
Outstanding-----	61,000 "

Paid-in Surplus-----	\$267,000 "
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NOTE.—1,000 shares of the common stock outstanding was sold to two officers who joined the organization in 1936, at \$25 per share.

The preferred stockholders list as of March 20, 1939, and the common stockholders list as of March 25, 1939, are being forwarded under separate cover. We will appreciate your returning the preferred stockholders list after you are finished with it.

The original capitalization at the time of formation and a statement as to how and by whom this original capital was subscribed is given in detail in the enclosed prospectus which was issued at the time that the stock was sold. As stated in the prospectus, 20% of the Company's stock was given to the stockholders of the Harris Trust and Savings Bank and said stockholders were given the right to subscribe to 20% more of the stock at the same price as that sold to the public, namely, \$17.75 a share. This payment was made for the privilege of carrying on the corporate bond business formerly done by the Bond Department of said Bank. At no time have stockholders of the Harris Trust and Savings Bank held more than 40% of said Harris, Hall & Company common stock, and I am advised by the Transfer Agent that as of July 10, 1939, stockholders of the Harris Trust and Savings Bank held 36.69% of said stock.

The preferred stock, as stated in paragraph (e) on page 3 of the prospectus, has no voting power, nor shall the holders thereof as such be entitled to notice of meetings of stockholders, all rights to vote and all voting power being vested exclusively in the holders of the common stock.

If there is any further information you might desire in this connection, we will be glad to furnish same.

Yours very truly,

NORMAN W. HARRIS,
Vice President.

Norman W. Harris
IMN

EXHIBIT No. 162S-1

STIPULATION

It is hereby stipulated and agreed that the documents listed below are true copies of original communications or carbon copies from the files of Blyth & Co., Inc., and that they were received or sent, as the case may be, by Blyth & Co., Inc.

Date	Description	To	From
Nov. 6, 1935	Letter.....	C. E. Mitchell.....	H. M. Addinsell.
Nov. 6, 1935	Letter.....	Mr. Hall of Harris, Hall & Co.	
Nov. 6, 1935	Letter.....	Mr. Hall of Harris, Hall & Co.	E. B., Vice President.
Nov. 6, 1935	Letter.....	Henry M. Addinsell.....	C. E. Mitchell.
Nov. 7, 1935	Letter.....	C. E. Mitchell.....	H. M. Addinsell.
Nov. 8, 1935	Letter.....	C. E. Mitchell.....	Norman W. Harris.
Nov. 9, 1935	Letter.....	Norman W. Harris.....	C. E. Mitchell.

DEC. 13, 1939.

GEORGE LEIB.

EXHIBIT No. 1628-2

[From the files of Blyth & Co., Inc.]

H. M. ADDINSELL,
Chairman Executive Committee.

THE FIRST BOSTON CORPORATION,
ONE HUNDRED BROADWAY,
New York, November 6th, 1935.

BLYTH & Co., INC.,
120 Broadway, New York City.
Attention—Mr. C. E. Mitchell.

DEAR SIRs: We acknowledge receipt of your letter of November 1st with reference to the proposed issue of \$40,000,000 Los Angeles Gas & Electric Corporation First and General Mortgage Bonds Series of 4s due 1970 now in registration.

We accept with pleasure the proffered interest in this business of \$3,000,000, for which please accept our thanks.

Yours very truly,

H. M. ADDINSELL,
Chairman Executive Committee.

EXHIBIT No. 1628-3

[From the files of Blyth & Co., Inc.]

NOVEMBER 6, 1935.

HARRIS HALL & Co.,
111 W. Monroe Street, Chicago, Ill.
Attention Mr. Hall.

GENTLEMEN: Following your call upon us this morning, Mr. Addinsell of The First Boston Corporation came to see me regarding the underwriting of the

proposed issue of \$40,000,000 Los Angeles Gas & Electric Corp. First and General Mortgage bonds, series of 4s due 1970, now in registration. Under the circumstances as discussed when you were in our office, The First Boston Corporation has agreed to give up \$500,000. of the amount of their participation in this underwriting, and we are thus enabled to offer to you a participation of \$500,000. and would be glad to have your early reply as to whether this is acceptable.

The issue will be broadly advertised throughout various states of the country and to the extent that you are registered as a dealer, we shall be glad to include your name. Assuming that you will want to be so included, please let us know to what extent you are registered or will be registered, bearing in mind that it is expected that the issue will be ready for offering on November 18th.

Copies of the registration and other necessary documents for study will be sent to you by mail tonight.

Very truly yours,

P. S.—We find that we do not have extra copies of the documents that could be sent from this office and have wired our San Francisco office to forward them to you from there by airmail today.

EXHIBIT No. 1628-4

[From the files of Blyth & Co., Inc.]

NOVEMBER 6TH, 1935.

HARRIS, HALL & COMPANY,
111 West Monroe Street, Chicago, Illinois.

Attention of Mr. Hall.

GENTLEMEN: We are enclosing herewith certain letters addressed to the several underwriters of the proposed issue of Los Angeles Gas and Electric Corporation Bonds which we think are fully self-explanatory.

The enclosed letters refer to the registration statement and exhibits which are being air expressed direct to you from our Los Angeles Office.

You will note that certain information is to be supplied by you, and we should appreciate a prompt response from you in this connection.

Very truly yours,

By BLYTH & Co., Inc.
Vice President.

EB: m
Encl.

EXHIBIT No. 1628-5

[From the files of Blyth & Co., Inc.]

NOVEMBER 6, 1935.

Mr. HENRY M. ADDINSELL,
Chairman, Executive Committee, The First Boston Corporation,
100 Broadway, New York City.

DEAR Mr. ADDINSELL: Referring to our talk this afternoon regarding the underwriting of \$40,000,000. Los Angeles Gas & Electric Corp. First and General Mortgage bonds, series of 4s, due 1970, now in registration, it is agreed that your underwriting position in this business shall be revised from \$3,000,000. to \$2,500,000. and that this difference of \$500,000. shall be offered to Harris, Hall & Company, 111 W. Monroe Street, Chicago, which has been done by letter today.

Very truly yours,

CEM:R

EXHIBIT No. 1628-6

[From the files of Blyth & Co., Inc.]

H. M. ADDINSELL, *Chairman Executive Committee.*THE FIRST BOSTON CORPORATION,
ONE HUNDRED BROADWAY,
New York, November 7th, 1935.C. E. MITCHELL, Esq.,
Chairman, Blyth & Co., Inc.,
120 Broadway, New York City.

DEAR MR. MITCHELL: I acknowledge receipt of your letter of November 6th with reference to the adjustment in our interest in the proposed issue of Los Angeles Gas & Electric Co. First and General Mortgage bonds which I understand is now \$2,500,000. I also understand that you are offering \$500,000 to Harris Hall & Co. in Chicago.

Thanking you very much for your consideration in this matter, I am

Yours very truly,

H. M. ADDINSELL,
Chairman Executive Committee.

EXHIBIT No. 1628-7

[From the files of Blyth & Co., Inc.]

HARRIS, HALL & COMPANY,
HARRIS TRUST BUILDING,
Chicago, November 8, 1935.BLYTH & COMPANY, INC.,
120 Broadway, New York City, New York.
Attention of Mr. C. E. Mitchell.

GENTLEMEN: I wish to acknowledge receipt of your letter of November 6th, offering us a participation of \$500,000 in the underwriting of the proposed issue of \$40,000,000 Los Angeles Gas and Electric Corporation First and General Mortgage Bonds, Series of 4s, due 1970. We are pleased to accept this amount, and wish to express our appreciation for your efforts in our behalf in this connection.

We are advised by counsel that our name may appear in the advertising in any state with the exception of Pennsylvania, if the customary clause is used stating that the offering is made only by such dealers as are registered in the particular state involved. We hope that this clause will be used in your advertising so that our name can appear in all states except Pennsylvania.

We have already received from San Francisco copies of the registration and other necessary documents regarding the issue.

Very truly yours,

NORMAN W. HARRIS,
*Vice President.*Norman W. Harris
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EXHIBIT No. 1628-8

[From the files of Blyth & Co., Inc. Letter from C. E. Mitchell to Norman W. Harris]

NOVEMBER 9, 1935.

HARRIS, HALL & COMPANY,
Harris Trust Building, Chicago, Ill.

Attention Mr. Norman W. Harris, Vice Pres.

GENTLEMEN: We have your letter of November 8th and note your acceptance of our offer of a participation of \$500,000. in the proposed Los Angeles Gas & Electric Corporation offering and also that you are prepared to have your name appear in all advertising other than in the State of Pennsylvania. For your information it is our custom to use the clause referred to in all advertising.

Very truly yours,

CEM:R

EXHIBIT No. 1629

[From the files of The First Boston Corporation]

AS OF FEBRUARY 28, 1939.

UNDERWRITING PARTICIPATIONS

The *first* column contains participations by the various firms in business headed by The First Boston Corporation.

The *second* column contains The First Boston Corporation's participations in business headed by the respective underwriting houses.

Aldred & Company	\$1,000,000	\$0
A. C. Allyn & Company	20,010,000	0
A. E. Ames & Co.	6,150,000	0
Bacon, Whipple & Co.	350,000	0
J. E. Baker	150,000	0
Baker, Watts & Co.	1,700,000	0
Baker, Weeks & Harden	1,200,000	0
Baker, Young & Co.	850,000	0
Baldwin & Company	700,000	0
Bancamerica Blair Corp.	11,470,000	7,341,000
Bankamerica Company	810,000	0
BancOhio Securities Co.	280,000	0
Chas. D. Barney & Co. (1935-6-7)	2,650,000	0
A. G. Becker & Co.	850,000	0
Blake Bros. & Company	1,700,000	0
Blyth & Company	45,899,000	23,750,000
Bodell & Co.	10,225,000	0
Bonbright & Co.	¹ 18,154,000	17,919,000
Bond & Goodwin, Inc.	1,800,000	0
Edward M. Bradley & Co.	200,000	0
Alex. Brown & Sons	2,925,000	0
Brown Brothers Harriman & Co.	1,750,000	0
Brown Harriman & Co.	59,381,000	21,357,500
Brown, Lisle & Marshall	500,000	0
Burr, Gannett & Co.	7,962,500	0
H. M. Byllesby & Co.	30,435,000	2,750,000
Frank B. Cahn & Co. (Comm. Cred.)	750,000	0
Cassatt & Co., Inc.	11,270,000	0
Wm. Cavalier & Co.	200,000	0
Central Republic Co.	3,205,000	0
Chace, Whiteside & Co.	200,000	0
Clark, Dodge & Co.	3,100,000	0
E. W. Clark & Co.	2,750,000	0
Coffin & Burr	² 19,936,000	³ 15,198,685
Paul H. Davis & Co.	700,000	0
R. L. Day & Co.	7,090,000	0
Dean, Witter & Co.	14,498,000	0
Dick & Merle-Smith	250,000	0
Dillon, Read & Co.	19,370,000	42,589,200
Dominick & Dominick	3,810,000	0
Dominion Securities Corp.	6,150,000	0
Eastman, Dillon & Co. (Comm. Cred.)	1,300,000	0
Edgar Ricker & Co.	1,500,000	0
Emanuel & Co.	5,375,000	0
Estabrook & Co.	7,940,000	1,550,000
Evans, Stillman & Co.	6,750,000	0
Farwell Chapman & Co.	100,000	0
Field, Glore & Co. (1935-6)	16,254,000	4,856,250
First Boston Corporation (The)		
First of Michigan Corp.	4,990,000	0
Morris F. Fox	350,000	0
Francis Bro. Co.	250,000	0

¹ \$1,065,000 private deal included.² \$735,000 private deal included.³ \$2,599,000 private deal included.

Robert Garrett & Sons.....	\$3,900,000	\$0
Chas. T. Gilman & Co.....	250,000	0
Glore, Forgan & Co.....	1,900,000	0
Goldman, Sachs & Co.....	19,607,500	11,860,412
Graham Parsons & Co.....	3,000,000	0
Granbery, Afford & Co. (1905-6).....	3,250,000	0
Granbery, Marache & Co.....	200,000	0
Green, Ellis & Anderson.....	500,000	0
Hale, Waters & Co.....	150,000	0
Hallgarten & Co.....	2,200,000	0
Halsey, Stuart & Co.....	24,182,000	10,809,069
Hammons & Co.....	400,000	0
Harris, Hall & Co.....	17,300,000	3,029,120
Hawley, Huller & Co.....	350,000	0
Hayden, Miller & Co.....	1,200,000	0
Hayden, Stone & Co.....	13,925,000	3,499,033
Hemphill, Noyes & Co.....	2,350,000	0
Hornblower & Weeks.....	6,250,000	1,000,000
W. E. Hutton & Co.....	8,020,000	9,000,000
Investors Trust Co.....	500,000	0
Jackson & Curtis.....	6,795,000	0
Arnold W. Jones & Co.....	100,000	0
Kean, Taylor & Co.....	3,000,000	0
Kidder, Peabody & Co.....	49,267,400	5,227,900
Kuhn, Loeb & Co.....	4,700,000	70,423,400
Ladenburg, Thalman & Co.....	6,350,000	1,500,000
Laird & Co.....	250,000	0
Laird, Bissell & Meeds.....	500,000	0
W. W. Lanahan & Co.....	1,100,000	0
W. C. Langley & Co.....	24,508,000	9,869,000
Lazard Freres & Co.....	22,128,000	9,000,000
Leadenhall Securities Corp.....	2,500,000	0
Lee Higginson Corp.....	31,329,000	3,727,000
Lehman Bros.....	13,250,000	3,286,000
Adolph Lewisohn & Sons.....	100,000	0
Makubin, Legg & Co.....	2,600,000	0
McLeod, Young, Weir & Co.....	6,150,000	0
Maine Securities Corp.....	390,000	0
Lawrence M. Marks & Co.....	700,000	0
Mellon Securities Co.....	14,400,000	20,842,000
Merrill, Turbin & Co.....	350,000	0
Minsch, Monell & Co.....	250,000	0
Mitchum, Tully & Co.....	1,600,000	0
Moore, Leonard & Lynch.....	500,000	0
Morgan, Stanley & Co.....	0	157,194,250
F. S. Mosler & Co.....	32,739,000	0
G. M. Murphy.....	1,550,000	0
W. H. Newbold's Son & Co.....	350,000	0
Newton, Abbe & Company.....	725,000	0
Otis & Co.....	4,100,000	0
Pacific Co. of California.....	3,920,000	0
Paine, Webber & Co.....	6,155,000	0
Pask & Walbridge.....	100,000	0
H. M. Paysan & Co.....	813,000	250,000
Artis & Co.....	4,685,000	0
R. W. Pressprich & Co.....	810,000	0
Putnam & Co.....	2,200,000	1,050,000
Richardson & Clark.....	528,800	0
Reynolds & Co.....	100,000	0
Rosen & Co.....	2,480,000	0
E. H. Rollins & Co.....	26,298,000	1,750,000
Royal Securities Corp.....	1,310,000	0
Sage, Ratty & Co., Inc.....	711,000	0
Schoellkopf, Hutton & Pomeroy.....	1,800,000	0

* Includes \$525,000 private deals.

* Includes \$667,374 private deals.

CONCENTRATION OF ECONOMIC POWER

11715

Schroeder, Rockefeller & Co.....	\$3,100,000	\$0
Chas. W. Schranton.....	1,000,000	1,050,000
Securities Co. of Milwaukee.....	6,160,000	0
J. & W. Seligman & Co.....	5,650,000	2,000,000
Singer, Deane & Scriber.....	600,000	0
Edward B. Smith & Co. (1934-5-6-7).....	56,456,000	38,343,000
Smith, Barney & Co.....	5,887,000	1,250,000
Spencer, Trask & Co.....	10,590,000	0
Speyer & Co.....	500,000	0
William R. Staats Co.....	6,340,000	0
Starkweather & Co.....	3,040,000	0
Stein Bros. & Boyce.....	950,000	0
Lawrence Stern & Co.....	2,910,000	0
Stone & Webster & Blodget.....	22,399,000	18,374,000
Strother, Brogden & Co.....	600,000	0
Stroud & Co.....	350,000	0
Tenney & Co.....	200,000	0
Tift Brothers.....	1,540,000	0
Tucker, Anthony & Co.....	3,355,000	0
G. H. Walker & Co.....	500,000	0

EXHIBIT No. 1630

[from the files of The First Boston Corporation]

HARRIS, HALL & COMPANY INCORPORATED

Participation of Harris, Hall in issues headed by The First Boston Corp.

Date of issue	Company	Issue	Amount	1st B. Part, %	H. H. Participation		Est. Synd. Profit	Comments
					%	Amount		
11/14/35	Central Maine Power Co.	4's '60	\$15,000,000	20.7	3.2	\$500,000		Suc. Harris Trust interest.
11/21/35	Kansas Power and Light Co.	4's '35	30,000,000	22.5	1.7	500,000		Suc. Harris Trust interest.
1/14/36	Dominion of Canada	3's '55	48,000,000	12.9	.85	410,000		New interest.
3/20/36	Eastern Gas & Fuel Assoc.	5's '55	75,000,000	12	1.33	1,000,000		50% from 1st B. New interest.
4/6/36	California Oregon Power Co.	4's '66	13,500,000	20	4.4	600,000		Harris Trust interest.
4/20/36	Wisconsin Gas & Elec. Co.	2 1/2's '56	10,500,000	15.5	4.8	500,000		New interest thru 1st B.
6/4/36	Wisconsin Public Service Corp.	4's '61	25,000,000	14	2	500,000		New interest.
7/16/36	Narragansett Electric Co.	3 1/2's '66	34,000,000	23.7	5.9	2,900,000		Harris Trust interest.
7/30/36	Southern Kraft Corp.	4 1/2's '46	14,500,000	22.4	6.9	1,000,000		Harris Trust in parent Co. financing.
7/31/36	Wisconsin Michigan Pr. Co.	6's '61	10,500,000	15.5	4.8	500,000		New interest.
10/19/36	Cumberland County Power and Light Company	3's '66	9,500,000	31.6	21.6	1,100,000		New interest.
10/28/36	Central Maine Power Co.	3 1/2's '66	14,000,000	21.4	6.4	900,000		In previous issue.
12/15/36	Missouri Power & Light Co.	3 3/4's '66	9,000,000	22.2	10.6	950,000		New interest.
12/15/36	Missouri Power & Light Co.	8's '66	15,000,000	23	10.7	1,600,000		New interest.
1/6/37	Consumers Power Co.	\$4.50 Pfd.	547,788 shs.	9.1	1.8	10,000 shs.		In previous issue 1/3 from 1st B.
2/10/37	Dallas Power & Light Co.	3 1/2's '67	16,000,000	19.1	4.7	750,000		50% from 1st B. New interest.
9/1/37	Rochester Gas & Elec. Corp.	3 1/2's '67	3,000,000	26.6	13.3	400,000		New interest.
10/6/37	Idaho Power Company	3 1/2's '67	18,000,000	23.88	5.56	1,000,000		New Business.
10/23/37	North Boston Lig. Properties	3 1/2's '67	13,000,000	19.23	5.40	700,000		New Business.
12/23/37	St. Joseph Railway, Light, Heat & Power Co.	4 1/2's '67	5,625,000	35.5	8	450,000		New Business.
12/29/37	St. Joseph Railway, Light, Heat & Power Co.	5's Notes 1939-43	800,000	37.5	7.5	60,000		New Business.
7/7/38	Rochester Gas & Electric Co.	Ser. J 3 1/2% 1967	1,657,000	26.73	13.26	220,000		In previous issue.
8/10/38	The Toledo Edison Co.	2 1/2's '68	30,070,000	16.67	2.67	1,100,000		In previous issue.
9/16/38	Phillips Petroleum Company	3's '68	25,000,000	17	4	1,000,000		In previous issue.
4/24/39	Gatineau Power Company	Ser. A 3 3/4% 1969	32,500,000	13.31	2.77	1,415,000		\$10 M add. Issued in Canada.
6/21/39	Rochester Gas & Electric Corp.	Ser. J 3 1/4% 1969	3,323,000	26.13	12.92	1,075,000		In previous issue.

5/28/39	N. Y. State Electric & Gas Corp	1st Mfge. 33 7/8% 1964	13,000,000	15	5	650,000	New Business.
6/28/39	do.	5 7/8% Cum.	60,000 shs.	16.97	5.56	3,335 shs.	New Business, 1/4 from F. B. C.
7/17/39	West Penn Power Co	4 1/2% Pfd.	297,977 shs.	10	1.3	4,000 shs.	New Business, In previous issue.
7/23/39	The Kansas Power and Light Co	1 1/2% Atfice 31 7/8% 1969	\$26,500,000	14.71	2.26	\$200,000	1/4 from F. B. C. In pre- vious issue.
8/9/39	Pennsylvania Power & Light Co	3 1/2% 1969	95,000,000	5.66	1.21	1,154,000	Do.
8/9/39	do.	4 1/2, 1974	28,500,000	5.66	1.21	346,000	In Previous issue.
3/26/36	Iowa Electric Light & Power Co	4's 35	3,600,000	36.8	36.8	1,325,000	2,300
3/26/36	Iowa Electric Light & Power Co	3's 36-41	1,250,000	36.8	36.8	460,000	17,424.45
4/15/37	American Steel Foundries	Common	217,083 shs.	16.0	16.0	Subscriber of \$1.-	New Interest.
6/6/39	West Texas Utilities Co	Ser. A 3 1/4% 1969.	\$18,000,000	8.4	4.2	244,170. \$750,000	New interest.

EXHIBIT No. 1631

[From the files of The First Boston Corporation]

MORGAN, STANLEY & CO. INCORPORATED

Participation of Morgan, Stanley in issues headed by The First Boston Corp.

Date of issue	Company	Issue	Amount	1st B. Part, %	M. S. C. Partici- pation		Est. Synd. Profit	Comments
					%	Amount		
3/29/36	Eastern Gas & Fuel Assoc.	4's '56	\$75,000,000	12	6.7	\$5,000,000		50% from 1st B De- clined.
6/15/36	Commercial Credit Co	4 1/4% Pfd	25,000,000	16				50% from 1st B De- clined.
6/19/37	Commercial Credit Co	2 3/4 '42	35,000,000	18.5	8.6	3,000,000		Part. Declined.
8/9/39	Pennsylvania Power & Light Co	3 1/2% 1969	95,000,000	5.66	4.84	4,615,000		1/4 from F. B. C. New interest.
8/9/39	do.	4 1/2% 1974	28,500,000	5.66	4.81	1,385,000		Do.

Participation of The First Boston Corp. in issues headed by Morgan Stanley & Co.

Date of issue	Company	Issue	Amount	M. S. Part. %	1st B. Participation		Est. Synd. Profit	Comments
					%	Amount		
9/21/35	Consumers Power Co.	3 1/2's '65	16,175,000	29.8	10.4	\$2,000,000	\$2,500	In previous issue.
10/16/35	Illinois Bell Telephone Co.	3 1/2's '70	45,000,000	30.2	10	4,500,000	42,500	In previous issue.
11/20/35	Ohio Edison Co.	4's '65	43,983,500	19.9	5.7	2,500,000	38,875	New interest, 1/2 from M. S.
11/25/35	N. Y. and Queens Elec. Lt. & Pr.	3 1/2's '65	25,000,000	37.4	9	1,000,000	15,000	Previous interest.
12/12/35	Southwestern Bell Tel. Co.	3 1/2's '64	45,000,000	29.8	4.6	4,300,000	45,750	In previous issue.
2/27/36	New York Edison Co., Inc.	3 1/2's '65	55,000,000	27.3	5.5	3,000,000	39,375	In previous issue.
3/19/36	Consumers Power Co.	3 1/2's '70	55,830,000	20	5.4	3,000,000	41,250	In previous issue.
3/24/36	Louisville & Nashville R. R. Co.	4's 2003	9,292,000	51.5	16.1	1,500,000	13,875	In a previous issue.
4/6/36	New York Central Railroad Co.	3 3/4's '46	40,000,000	21.2	7.5	3,000,000	31,000	In a previous issue.
4/6/36	New York Central Railroad Co.	— 37-'41	15,000,000	21.2	7.5	1,125,000	1,751	In a previous issue.
4/9/36	Cons. Edison Co. of N. Y., Inc.	3 1/4's '46	35,000,000	21.4	4.3	1,500,000	23,188	In issues of predecessor company.
4/9/36	Cons. Edison Co. of N. Y., Inc.	3 1/2's '56	35,000,000	21.4	4.3	1,500,000	24,375	In issues of predecessor company.
4/16/36	Pacific Tel. & Tel. Co.	3 1/2's '66	30,000,000	30	7.7	2,300,000	25,500	In previous issue.
4/30/36	Chesapeake & Ohio Railway Co.	3 1/2's '66	40,362,000	23.6	6.2	2,500,000	30,625	In previous issue.
5/1/36	Cincinnati Union Term. Co.	3 1/2's '71	24,000,000	27.1	4.2	1,000,000	10,025	1/2 from M. S. In previous issues.
5/22/36	Chicago & Western Indiana R. Co.	4 1/2's '62	22,727,000	32	10.6	2,400,000	23,438	In previous issue.
5/25/36	Brooklyn Edison Co., Inc.	3 1/2's '66	55,000,000	27.3	6.4	3,500,000	43,125	In previous issue.
5/27/36	Standard Oil Company	3's '61	30,000,000	30	8.3	2,500,000	24,625	Total issue \$85,000,000. In previous issue.
6/25/36	Louisville & Nashville R. R. Co.	3's 2003	26,000,000	36.5	11.5	3,000,000	28,500	In previous issue.
6/24/36	Niagara Falls Power Co.	3 1/2's '65	32,493,000	26.9	6.2	2,000,000	24,625	In previous issue.
7/14/36	Chesapeake & Ohio Ry. Co.	5's to 2 1/2's '46	15,300,000	23.5	5.9	900,000	5,625	In previous issue.
7/24/36	New York Edison Co., Inc.	3 1/2's '66	30,000,000	26.6	5	1,500,000	16,875	In previous issue.
7/30/36	Chesapeake & Ohio Ry. Co.	3 1/2's '96	29,500,000	23.2	6.1	1,800,000	24,750	In previous issue.
8/20/36	General Motors Acceptance	3's '46	50,000,000	15	5	2,500,000	25,000	In previous issue.
8/20/36	General Motors	3 3/4's	50,000,000	15	5	2,500,000	31,250	In previous issue.
10/8/36	American Tel. & T. Co.	3's '61	175,000,000	10.7	6	9,000,000	120,000	\$150,000,000 publicly offered in previous issues.
11/15/36	Argentine Republic.	4 1/2's '71	23,800,000	17	17	4,000,000	56,000	In previous issue.
12/2/36	American Telephone & Telegraph	3 1/2's '66	160,000,000	12.6	4.5	7,200,000	97,500	\$140,000,000 offered to public. In previous issue.
12/3/36	Consumers Power Co.	3 1/4's '66	12,000,000	31.3	12.5	1,500,000	18,750	In previous issue.

12/17/36. 12/30/36.	Pacific Telephone & Telegraph. Ohio Edison Co.	3 1/4's '66. 3 3/4's '66.	25,000,000 26,834,000	30 19.0	7.6 5.6	1,900,000 1,500,000	18,625 16,875	In previous issue. In previous issue, 50% from M. S. & Co. Sub- underwriting.
1/14/37.	Great Northern Ry. Co.	3 3/4's '67.	50,000,000	100	6	3,000,000	34,312	In previous issue.
1/21/37.	Dominion of Canada.	2 1/2's '44.	30,000,000	14.1	10.5	3,141,000	18,153	Headed previous issues.
1/21/37.	Argentine Republic.	4 1/2's '72.	55,000,000	14.2	10.5	5,750,000	50,506	In previous issue.
3/10/37.	Philadelphia Electric Co.	3 1/2's '67.	70,000,000	12.8	12.8	9,000,000	142,500	In previous issue.
4/22/37.	Argentine Republic.	4 1/2's '72.	35,000,000	13.2	13.2	4,625,000	82,500	In previous issue.
5/5/37.	Southern Bell T. & T. Co.	3 1/2's '62.	45,000,000	16.7	5.6	2,500,000	70,777.50	In previous issue.
6/23/37.	Phelps Dodge Corporation.	3 1/2's '52.	20,235,000	25.0	7.5	1,014,250	11,410.31	New Interest.
6/24/37.	Standard Brands Inc.	\$4.50 Pfd.	200,000 shs.	22.5	7.5	215,000 shs.	20,625.	In previous issue.
6/24/37.	New York Telephone Co.	3 1/2's '67.	\$25,000,000	32	10.4	\$2,600,000	30,000	In previous issue.
6/25/37.	Buffalo Niagara Elec. Corp.	3 1/2's '67.	17,029,000	27.3	6.25	1,065,000	12,281.25	Sec. Had part in Buf. Sts.
6/25/37.	Buffalo Niagara Elec. Corp.	Sec. Deb 38-52.	3,420,000	27.6	6.1	210,000	2,100.	In previous issue.
6/30/37.	E. I. du Pont de Nemours & Co.	\$4.50 Pfd.	500,000 shs.	14.	5	25,000	43,875	Sec. had Part in Buf. S. E.
7/22/37.	Westchester Lighting Co.	3 1/2's '67.	\$25,000,000	32	5	1,250,000	15,312.50	New Interest.
9/29/37.	Ohio Edison Company.	48-1967.	8,500,000	25.90	8.52	725,000	9,031.25	Subsidiary of Cons. Elec.
10/7/37.	Central New York Power Corp.	3 1/2's-1962.	48,364,000	20.80	6.20	3,000,000	36,375	In previous issue.
1/13/38.	Consolidated Edison Co. of N. Y., Inc.	3 1/2's, 1958.	30,000,000	20.95	4.28	1,285,000	17,031.25	In old Utica Gas & El. issues.
1/19/38.	Consumers Power Company.	3 1/2's, 1907.	9,000,000	23.61	11.11	1,000,000	11,500	In previous issue.
3/30/38.	Duluth, Missabe & Iron Range Rwy. Co.	3 1/2's, 1962.	30,000,000	100	3.9	1,700,000	16,812.50	New Business-Sub-Un- derwriting.
4/21/38.	Consolidated Edison Co. of N. Y.	3 1/2's, 1948.	60,000,000	15%	3.17	1,900,000	30,625	(\$28,000,000 publicly off.)
6/2/38.	United States Steel Corp.	3 1/2's 1948.	100,000,000	12%	4.75	4,750,000	57,812.50	In prev. issue.
6/9/38.	The Mt. States Tel. & Tel. Co.	3 1/2's 1968.	27,756,000	18.02	6.3	1,750,000	22,125	New Business.
7/7/38.	Standard Oil Co. (N. J.) Debs.	2 1/2's 1953.	50,000,000	14.14	5.56	2,780,000	29,250	\$2,250,000 off. privately.
7/7/38.	Standard Oil Co. (N. J.) Serial Notes.	1 3/4's-2 1/2's 1943-47.	35,000,000	12.60	4.91	1,720,000	15,725	
7/14/38.	Southwestern Bell Tel. Co.	Sec. C 3%, 1968.	28,800,000	17.99	6.23	1,800,000	22,500	(\$1,100,000 additional placed privately.) In prev. issue.
8/11/38.	Public Service Elec. & Gas Co.	3 1/4's 1968.	10,000,000	31.25	12.50	1,250,000	13,250	
8/12/38.	New York Steam Corporation.	3 1/2's, 1963.	27,982,000	20.25	4.38	1,225,000	15,906	
11/3/38.	Argentine Republic.	S. F. Ext. 4 1/2's, 1948.	25,000,000	14	14	3,500,000	56,875	In previous issue.
11/17/38.	Govt. of the Dom. of Canada.	3%, 1968.	40,000,000	12.5	9.125	3,650,000	37,906.25	
12/2/38.	Continental Oil Co.	Conv. Deb. 2 3/4's, 1948.	21,900,000	16	4.5	45,000	13,502.25	In previous issue.
2/2 3/38.	Consumers Power Company.	3 1/2's 1966.	10,168,000	21.97	9.83	1,000,000	11,687.50	New Business, \$20,120,300 subs. for \$51,300 res. In previous issue.

Participation of The First Boston Corp. in issues headed by Morgan Stanley & Co.—Continued

Date of Issue	Company	Issue	Amount	M. S. Part. %	1st B. Partici- pation		Est. Synd. Profit	Comments
					%	Amount		
4/3/39.....	Eastman Kodak Company.....	Common stock.	3,900 shs.	17	4	156 shs.	\$1,028.08	225,092 shs. before old stockholders' sub- scribed. New Business.
7/19/39.....	Shell Union Oil Corporation.....	15-year 2½% Debs.	\$85,000,000	11.76	4.44	\$4,000,000	38,750	In previous issue.
7/20/39.....	Southern Bell Tel. and Tel. Co.	40-year 3% Debs.	22,250,000	17.79	5.93	1,320,000	11,100	

EXHIBIT No. 1632

[From the files of The First Boston Corporation]

[Orig. & Copies in files. A. W. Harris. (*Genl. files—Corp.—Buying Dept.*)]

ALBERT W. HARRIS,
115 WEST MONROE STREET,
Chicago, August 6, 1934.

JOHN R. MACOMBER, Esquire,
1 Federal Street, Boston, Mass.

DEAR JOHN: I am very sorry indeed to learn that Harry has been laid up and I can sympathize with him, as I had a similar thing happen to me not so many years ago. I had a growth on the bottom of my foot that didn't amount to anything and, while I didn't take it very seriously, the first thing I knew I was going around on crutches and had to go finally and have the growth cut out of the bottom of my foot and then I got better right away. I hope Harry will have the same experience—that is, that his recovery will be as rapid.

About the colts, I guess race horse prospects are about the only kind of horses that can be sold these days, as it costs too much for feed for anybody to afford to keep them for any other purpose than racing.

To go back to Harry, I hope you and he will not put off coming out until he throws his crutches away. As soon as he gets out all he wants is about ten days to get used to going around on one foot and it won't take him long to feel so at home on the crutches that he will hate to throw them away! You better plan on coming out and bringing him along in a couple of weeks from now. Of course, a fellow can't be expected to work if he has to use crutches, so we could spend a day or two up in the country. We have plenty of automobiles and boats and we can take Harry around very comfortably or park him in the shade while we are taking a horseback ride.

I note what you have to say in connection with the Southern California Edison and Mr. Walker. I think I will repeat to you what I said to Mr. Walker. I told him that we were not out of the investment business, that we proposed to do as much bond business as we could do, that in the past six months we had done more municipal bond business than we ever had in any six months before, that we expected the Banking Law and the Securities Law to be changed so that the investment houses and banks could do more business, and that, while it might be necessary and desirable for us to make new connections, we did not propose to make any until we were off with the old; certainly we did not propose to help anybody who did not help us and if he wanted us to do anything for him he would have to do something for us first; that we were in the municipal bond business and the banking business and we wanted more trust business such as appointments as active trustees under mortgages, transfer agents and registrars for stock issues, and anything we could legitimately do, we expected to use our influence to help anybody that would use their influence to get business for us of the kind we could handle; that up to date we had not severed our connection with the old Chase Harris Forbes crowd; that we had not got down to considering any of the present rules and regulations very seriously, as we were confident they would have to be changed before business would improve; and incidentally, as far as the Southern California Edison and the San Diego situation were concerned he could talk to Mr. Bauer or he could talk to me and it did not make any difference which one he talked to, because he would be talking to the same fellow.

I had rather hoped that you and Harry could get out before long, because I think in self-defense we shall have to make some different alignments unless we can make some satisfactory offensive and defensive relations with you fellows, and I do not imagine we can stand the matter off very much longer than around the first of next month. We have had the building spend a little money and we are spending a little of our own in remodeling the fourth floor and we are rearranging our banking floors a little and will put our Bond Department up on this floor. We ought to have it in shape about this time next month. After we get all done we ought to look pretty good. Certainly we shall be very much better coordinated and I am quite pleased with the set-up, also with the earnings of the Bank so far this year. We hope to have \$500,000 more in The N. W. Harris Company to disburse about the first of the year. There is nothing I should like better than to show our stockholders that they got practically all their money back. Our reserves are coming up in good shape, so perhaps some time next year we shall have our reserves

back to where they were some few years ago and be able to return to a 12% dividend at least.

Another thing you probably noticed was that the directors had elected Howard as Chairman of the Executive Committee, which means that I am going to try to pay a little less attention to detail. I have rented an office up on the twentieth floor and may be in that next month, at least part of the time, and when you and Harry get out this way you can have either one of my offices.

Everybody is well as far as I know. We have had a very, very dry year, but the drought seems to be broken with a couple of light rains. Anyway, if we had not had these rains the country around northern Illinois and southern Wisconsin would have been ruined. As it is, it is in pretty bad shape. Instead of having hay to sell, Norman and I between us have bought about seventy-five tons. No hay has been put up. Most of the dairy farmers have been pasturing their grain fields, and the only thing we are going to have to see us through is corn and silage, with what hay they can afford to buy *if we get the corn*. Saturday morning before the first shower I was driving around the country looking it over and I thought our prospects for getting anything at all were about as good as those of the fellow who said if he had some ham he would have some ham and eggs if he had some eggs!

I guess that is about all the news from this part of the country. With kind regards,

Sincerely yours,

(Sgd.) ALBERT W. HARRIS.

EXHIBIT No. 1633

[From the files of The First Boston Corporation]

OFFICE OF THE PRESIDENT

HARRIS TRUST AND SAVINGS BANK

Organized as N. W. Harris & Co. 1882 Incorporated 1907.

CHICAGO, April 13, 1935.

DEAR HARRY: A few days ago in talking with John O'Brien of H. M. Byllesby & Company, my attention was called to the fact that they are still in the securities business.

As you know, we think a great deal of John O'Brien and regret that he is not now a Director of the bank. H. M. Byllesby & Company and their allied corporations keep substantial balances with the Harris Trust and Savings Bank and it certainly is good business for us to do everything we possibly can for them.

John did not mention any specific business and he may not have had *South-ern California Edison* in mind but, on the other hand, he may and I would greatly appreciate your making arrangements for H. M. Byllesby & Company to participate in some way. I realize that this is a late date at which to make this request but I also know that you will be willing to strain matters a little if necessary in order to accommodate us.

Cordially yours,

H. W. FENTON.

Mr. H. M. ADDINSELL,
The First Boston Corporation,
100 Broadway, New York City, New York.

EXHIBIT No. 1634

[From the files of The First Boston Corporation. Letter from D. R. Linsley to J. R. Macomber]

THE FIRST BOSTON CORPORATION,
New York, N. Y., May 16, 1935.

J. R. MACOMBER, Esquire,
The First Boston Corporation, 1 Federal Street, Boston, Massachusetts.

DEAR MR. MACOMBER: Mr. Fenton came into the office today to talk with me about the matter of making the Harris Trust the Paying Agent in Chicago and,

if possible, the Authenticating Agent in San Diego and I covered the situation in some detail with him, assuring him that we would root for them just as hard as possible.

During the course of the conversation he referred to the forthcoming Edison Electric Illuminating of Boston Mortgage issue and said they would like very much to be the Chicago Paying Agent. It seems to me quite logical that in view of the size of the issue and the nation-wide distribution the Company would want to have a paying agent in Chicago. I told him that I would mention this to both you and Nevil so that you both would have it in mind.

I also tipped him off—in confidence—to the Texas Corporation business, which, while presumably there isn't any possibility of their being Chicago Paying Agent in view of the strong tie-in between the company and the Continental, nevertheless he might be able to chisel in on the bank credit which the Guaranty Trust Company is setting up. He was quite grateful for the tip and as he was leaving I again assured him that we were more than appreciative of the efforts of the Harris Trust on our behalf and would do everything we could to reciprocate.

I am marking a copy of this letter for Nevil Ford and Jim Lyles so that they may have in mind the question of the Chicago Paying Agency on the Edison when, as and if it arrives.

With kindest regards,
Sincerely yours,

DRL/g

EXHIBIT No. 1635

[From the files of The First Boston Corporation. Letter from B. W. Lynch to Duncan R. Linsley]

H. M. BYLLESBY AND COMPANY

INVESTMENT SECURITIES

231 South La Salle Street

CHICAGO, April 15, 1935.

Personal.

MR. DUNCAN R. LINSLEY,

*Vice President, The First Boston Corporation,
100 Broadway, New York City, N. Y.*

DEAR DUNC: As I told you in New York, Baxter Jackson called me about trusteeship for San Diego and I explained it was necessary to have local trustee. I think I did not mention that Alan Pease inquired on the same subject and put in a strong bid for the paying agent in New York. To me there is no question this should go to Chase on account of their performance on our recent Northern States and even Louisville.

I wish you would discuss this with Victor or anyone else you think advisable and let me know if you agree with me.

Sincerely yours,

BWL:R

BERT.

EXHIBIT No. 1636-1

[From the files of Lehman Brothers. Letter from Edward J. Frost to Paul M. Mazur]

Executive offices

WM. FLENE'S SONS COMPANY

BOSTON, August 6, 1936.

MR. PAUL M. MAZUR,
*Lehman Brothers, 1 William Street,
New York City.*

DEAR PAUL: What arrangements are suggested with respect to Registrars and Transfer Agents for the new Federated Preferred Stock?

In this connection, the Old Colony Trust Company and The First National people, Boston, would like to act as Transfer Agents and Registrars respectively.

Kaplan and I think this might be desirable as presumably considerable amounts of new Federated Preferred will be held in this territory.

Cordially yours,

EJF:H.

E J. F.

EXHIBIT No. 1636-2

[From the files of Lehman Brothers. Letter from Paul M. Mazur to Edward J. Frost]

AUGUST 10, 1936.

Mr. EDWARD J. FROST,
Wm. Filene's Sons Co., Boston, Mass.

MY DEAR E. J.: Ten days ago I spoke to Jack Kaplan on the telephone in reference to registration and transfer agent for Federated.

Generally speaking, the choice of these two offices is usually left to the banker. Jack Kaplan told me that it was quite satisfactory for us to go ahead and name both registrar and the transfer agent. In line with that, we have selected J. P. Morgan & Co. as transfer agent, and have not yet reached a conclusion about the registrar. So far as the Boston house is concerned, I believe this would only be a duplication of expense, as practically all of the trading of the stock will be done in New York.

There are also so many different agencies already in the field by reason of the fact that there was one of each for the first stock issue of each company, that it was my opinion that it would be better to assume there was no obligation and name the new registrar irrespective of all previous associations. Rightly or wrongly, we thought this would create less ill will.

I will be glad to talk the matter over with you when I see you next.

With best wishes, I am,

Sincerely,

pmm/hh

EXHIBIT No 1636-3

[From the files of Lehman Brothers]

James S. Rogan, President

AMERICAN NATIONAL BANK,
Indianapolis, Indiana, June 26, 1937.

Mr. JOS. A. THOMAS,
*Partner, Lehman Brothers,
One William Street, New York, N. Y.*

DEAR JOE: Apropos of our conversation the other evening when you were in Indianapolis, I discussed with one of my officers the following day the correspondence which he had had relative to working out an arrangement for facilitating payments to the Internal Revenue Department covering stamps used by the distilleries at Lawrenceburg. However, I found that I was confused as his correspondence had been with Seagrams instead of Schenley Products Corporation.

On the other hand, I find that our Mr. G. H. Mueller has called two or three times on Mr. Nantz, Manager of your Lawrenceburg plant, who handles payments for revenue stamps by giving a certified check on a local bank in Lawrenceburg, and in turn that account is reimbursed by your Treasurer transferring funds as needed. It occurs to us that that arrangement is doubtless working satisfactorily with the possible exception that it might occasion your having larger balances at times in a small bank than might be desirable. Insofar as we can determine, your company does not carry an account in Indianapolis and we have not approached your Treasurer either direct or through correspondence. In looking over checks issued by a couple of our local customers, the Klefer-Stewart Company and Mooney-Mueller-Ward Company, given to your company for purchases in sizable amounts, we observe that deposits are

usually made at the Bankers Trust Company or the Bank of the Manhattan Company, New York.

The purpose of this letter is to correct my statements to you the other evening in view of my confusion with the other major distillery operation in Lawrenceburg. Nevertheless, it is my rather strong conviction that some of the other factors mentioned are worthy of further thought.

I very much enjoyed your visit to Indianapolis this week and earnestly trust that you may find occasion to repeat it in the not too distant future. Incidentally, I might mention that my associate, Elmer Stout, told me that he was going to insist at the Board meeting which he attended yesterday that your good firm be given an opportunity to discuss any potential refinancing for the Indianapolis Power & Light Company.

With kind regards, I am

Cordially yours,

JAS. S. ROGAN, *President.*

EXHIBIT No. 1636-4

[From the files of Lehman Brothers. Letter from Lehman Brothers to Elmer W. Stout.]

MARCH 3, 1938.

MR. ELMER W. STOUT,

*Chairman of the Board, American National Bank,
Indianapolis, Indiana.*

DEAR MR. STOUT: Thank you very much for your letter of the twenty-eighth. It was nice to hear from you and I regret that we haven't had an opportunity to see each other since our last brief visit in New York.

I have again written the Schenley Company today of our very keen interest in you and Mr. Rogan and the welfare of the American National, and I feel sure that if there is any way in which Schenley can make use of an Indianapolis depository, the American National will receive the fullest consideration. It is my understanding that except for a pay roll account which is carried in Lawrenceburg, the company has maintained its cash reserves to a very great extent in New York. Confidentially, one very good reason for this is that the company has been rather light in cash during recent years while undergoing the process of building up its stocks, and it has been prudent to keep its funds with the banks from which it has been borrowing very substantial sums of money. Its loans, however, have been declining in recent months and I trust that this situation will continue to undergo a further change.

I am glad to have the news about the Indianapolis Power & Light Company, and I hope that the final hearing before the Commission will result in a satisfactory finding and disposition of a case which has been both long and expensive. We are, as you know, extremely anxious to serve the Company and it seems a great shame that several past periods of strength in the bond market have gone by while the company has been hampered by the rate case.

With very best regards to yourself and Mr. Rogan,

Yours sincerely,

EXHIBIT No. 1636-5

[From the files of Lehman Brothers]

ELMER W. STOUT,
Chairman of the Board.

[Copy]

AMERICAN NATIONAL BANK,
Indianapolis, Indiana, February 28, 1938.

MR. JOSEPH A. THOMAS,

Lehman Brothers, 1 William Street, New York City.

DEAR MR. THOMAS: You may recall that when I was in New York last fall I had a brief chat with you and Mr. Robert Lehman concerning the Schenley products of Lawrenceburg, Indiana. At that time, as I recall, both of you thought there might be a chance of the company's making use of a bank account in Indianapolis.

I do not wish to become a pest but hope you will permit me to remind you, the next time an opportunity presents itself, to bring the matter up for consideration with the company. I am enclosing you a copy of our last statement, also a copy of Mr. Rogan's annual report to the stockholders. For your information, we have no items in the bank with a doubtful or loss classification and I might add we have a very substantial appreciation in our bond account not shown in the statement.

I assure you that we shall be very grateful to you for anything you may do for us with the Schenley Corporation. We think they can use us to advantage.

We had a meeting of the board of directors of the Indianapolis Power and Light Company today and have every reason to believe that within a very short time the company will receive a satisfactory finding of value. The commission has set March 8 as the date for final hearing.

With kindest personal regards,

Yours very truly,

[s] ELMER W. STOUT,
Chairman of the Board.

EXHIBIT No. 1636-6

[From the files of Lehman Brothers]

FRANK K. HOUSTON, *President.*

CHEMICAL BANK & TRUST COMPANY,
165 BROADWAY,
New York, June 20, 1938.

Mr. JOSEPH A. THOMAS,
*Lehman Brothers, 1 William Street,
New York City.*

DEAR MR. THOMAS: With reference to the proposed financing of the Indianapolis Power & Light Company, I understand that there will be two issues, each requiring a trustee, and I bespeak for our bank consideration for one of these appointments or as New York paying agent.

If this is not a matter in your hands as underwriter I will be obliged for any suggestion you can make that might lead to our selection to act in one of the capacities mentioned.

Your kindness will be much appreciated.

Very truly yours,

F. K. HOUSTON, *President.*

F. K. H.

EXHIBIT No. 1636-7

[From the files of Lehman Brothers]

JUNE 22, 1938.

Mr. FRANK K. HOUSTON,
*President, Chemical Bank & Trust Company,
165 Broadway, New York City.*

DEAR MR. HOUSTON: I have your letter of June 20th with reference to the proposed financing for the Indianapolis Power & Light Company.

It doesn't make me very happy not to be able to write more encouraging news with reference to the trusteeship and paying agencies. Unfortunately, this matter was not in our hands, as both the company and the trustee of Utilities Power & Light had very strong convictions as to where the agencies should be placed. It is my belief that commitments to other banks have already been made, but if I am not correct, I feel that the only possible approach for you would be through the trustee, Mr. Charles T. Adams, or Mr. H. T. Pitchard, President of the Indianapolis Power & Light Company.

I regret our inability to be of more service to you in this connection.

Very truly yours,

JOSEPH A. THOMAS.

EXHIBIT No. 1637

NEW YORK OFFICE,
August 17, 1938.

*Ans'd. by wire, we will have nothing to say about it and Chase can do whatever they like.**

Mr. F. K. SHRADER,
Chicago Office.

DEAR FRANK: Samuel Armstrong, a Vice President in the Corporate Trust Department of the Chase whom I have known for a long time, telephoned today regarding the new issue of Public Service Company of Northern Illinois, which explains my wire to you. He inquired first whether the Bonds would be issued under a new mortgage and apparently we do not know the answer in this office. He then said that, of course, he was looking for trust business and in the event that there will not be a new mortgage, he wants to go after the New York paying agency job, unless we should be figuring on it for ourselves in which case he would do nothing about it. They are paying agent for the Series I issue of this Company.

If there is no conflict with our interests, he has in mind having his man in Chicago see what he can do and will you please wire me what I should say to him.

LB/M.

L. B.

STIPULATION

It is hereby stipulated and agreed that the document listed below is a true copy of a communication from the files of Halsey, Stuart & Co. Inc.

Date	Description	To—	From—
Aug. 17, 1938..	Letter-----	F. K. Shrader-----	L. B. New York Office.

(s) H. L. STUART.

DECEMBER 13, 1939.

*In pencil on original.

EXHIBIT No. 1638-1

[From the files of The First Boston Corporation]

THE FIRST BOSTON CORPORATION

PRIVATE WIRE

Received from Los Angeles, 3-11-1935.

YESTERDAY'S WIRE

So Cal. Ed.*

POPE,

ADDINSELL, N. Y.:

We had a reasonably satisfactory talk with our friend here this morning. Contrary to first reports he has no interest in refunding 1939 maturity although that has been the point of approach for many bankers. These will be taken care of out of earnings and small bank loan not exceeding 6,000,000. His idea is to take advantage of market of next 90 days for say 40 pct of his refunding. Then if market holds so or better strengthens as he feels it will do an additional amount and balance at another favorable time in the future. This resolves itself as to best issue to call for first operation which for various reasons we will not go into is the 55 million 5s of 51. First call date on these is May 1 60 days notice for July 1 payt. 10 days previous notice to trustee or say Apr 20th. Situation on leadership somewhat complicated as you may realize for we judge he feels obli-

gations to several but our guess is that Blyth & Co is probably the one about whom we need to worry most. We could not get him this morning to commit himself on this altho feel that he wants to keep a free hand on this in talking with his directors. Wants to be sure house leading is ace high in administration circles in Wash on which point we of course gave him definite assurance. We named our associates if we head the business which was quite satisfactory to him. As to possible price on a 25 yr bond all agreed that this must wait until outcome of PG & E offering but am sure of one thing we will have to better a 4 pct basis to public or the business will not be done. With background already laid by our Chicago friends and after our talk this morning feel we have gained some ground.

*In pencil on original.

J. MACOMBER LA.

EXHIBIT 1638-2

[From the files of The First Boston Corporation]

MAR. 14, 1939.*

So Cal. Ed.*

The following persons were present at a meeting in Bauer's office on the morning of Thursday, March 14, 1935: Messrs. Macomber, Ramsey and Woods, representing First Boston Corporation; Messrs. Albert W. Harris, Mullendore, Reppy, Trott and Bauer representing Edison Company.

Mr. Bauer expressed the private understanding he had with Mr. Macomber that the First Boston, without any compensation therefor, would assist Edison to prepare registration certificates and prospectus for filing with the S. E. C. in connection with the calling on July 1, 1935 of certain bonds of Edison. First Boston has retained Sullivan & Cromwell to assist in the preparation of these documents, with the understanding that the question as to whether Edison shall pay any part of their fees or what part shall be hereafter determined by Bauer. As to who shall constitute the group that will offer the refunding bonds to the public, and the extent, if any, to which First Boston shall participate is left for further discussion. The foregoing is a full and complete statement, and represents the extent to which any obligations were incurred or commitments made by anyone in this connection.

*In pencil on original.

B.
W. C. M.
J. R. M.

EXHIBIT No. 1638-3

[From the files of The First Boston Corporation]

THE FIRST OF BOSTON CORPORATION

PRIVATE WIRE

So Cal. Ed.*

Received from San Francisco, March 18, 1935.

MACOMBER.

Chas. Blyth will call on you today. Stop. I advised his partner hr tt subj Bauer appvl we expected hv them in grp if we headed it but as yet we cld not be mr specific. Stop. Also asked abt Pac Ltg and sub biz ptd out Chase Sec had 15 pc in So. Cal. Gas Harris headed La Gas & Elec ask DRC abt these. Stop. He stated they wr talking to co but ntg wld be done until franchise qn decided at Apr 4 elec altho co wkg on regn blank suggest you make pt of saying to Blyth tt we feel our historic posn this biz strong altho willing recongize Blyth ldrship. Stop. Bent on Field Glore arrives today to see Baer. Stop. Rumor ls Walker of Smith will return and sm indication tt his firm is doing talking on pvt deal. Stop. Good progress over wkend on So. Cal. blank hope for proof one Tuesday am. Stop. Bauer asks when can we talk re call pxs etc I replied later in wk when blank further along wire me yr ideas details issue so I can hv them before me when talking with Bauer.

*In pencil on original.

WOODS LA.

EXHIBIT No. 1638-4

[From the files of The First Boston Corporation]

THE FIRST OF BOSTON CORPORATION,
215 WEST SIXTH STREET,
Los Angeles, California, March 21, 1935.

Air mail

Mr. GEORGE RAMSEY,

The First Boston Corporation, 100 Broadway, New York, N. Y.

Re: Southern California Edison Company, Field 'Glore & Company

DEAR GEORGE: Garry Dulin states that Bauer's law firm has been his counsel for many years and that he has been Bauer's partner in several real estate operations here in Los Angeles. They are jointly interested, it appears, in the office building which Bauer told us about. Garry further states that about a month ago Bauer discussed the possibility of selling about \$15,000,000 of bonds privately whereupon Dulin communicated with Field Glore & Company. Dulin and Bent have had daily discussions with Bauer on the possibility of placing \$15,000,000 25-year 3½'s with one or two institutions.

Yesterday, as I advised you by wire, Bent stated that he felt our program was in the interests of the company and that he would withdraw from discussions looking toward a private placement of a relatively small issue. Today he came in to see me to talk about Edison Company matters (he did not raise the subject of Union Oil and I kept away from it) and he stated that his position was rather delicate and that he thought that he should probably continue to talk with Bauer. I advised him that that would be perfectly agreeable to us and expressed the hope that nothing I had said had lead him to believe that we had an agreement with the company with respect to the financing because the contrary was the truth.

I told him we were merely working on the Registration Blank and there was no indication as far as I knew of how Mr. Bauer would finally do his financing.

Mr. Bent then stated that when Dulin had invited him into the picture and Bauer had encouraged him to make an offer he assumed we had formed a group and there would be no place for him in it. He stated that Mr. Glore had talked to Harry Addinsell about the possibility of an Edison Refunding about six months ago and had also talked to Mr. A. W. Harris on the same subject. According to Bent, Harry Addinsell was non-committal and Mr. Harris stated that nothing was being contemplated. Bent states that no one in Field Glore has heard from H. M. A. since the time of the Glore conversation.

I pointed out that this was readily understandable because we had taken no definite steps in the direction of forming a group and did not expect to do so until there was a more definite indication of what Mr. Bauer wanted us to do.

Bent expressed the thought that it might be well for H. M. A. to talk with Glore and I said I would pass this suggestion on to New York. He asked if we would like him to discontinue his discussions with Bauer and I replied that in view of all the circumstances we could not possible ask him to discontinue his efforts. As we left the matter he will probably continue talking to Bauer although I think he feels that we will probably do the business and he is more concerned with getting into our group than anything else. If Harry Addinsell had a conversation with Glore I suppose, depending on its tenor, you and he should give it consideration when and if we start to form a group.

Dulin tells me that he thinks a 70,000,000 to 75,000,000 operation with a representative group is in the best interests of the company and I think that early next week he will probably have occasion to so advise his friend Bauer.

In passing I might say that neither Dulin nor Bent have any idea who the maker of the 40,000,000 private deal proposal may be.

Very truly yours,

GEORGE D. WOODS.

GDW:g

EXHIBIT No. 1638-5

[From the files of The First Boston Corporation]

MARCH 22, 1935.

\$68,000,000 SOUTHERN CALIFORNIA EDISON CO., REFUNDING MORTGAGE 25 YEAR
3¾% BONDS

These bonds are to be sold to provide for the call of \$55,000,000 5s due 1951 and \$13,000,000 5s due 1939. The call will have to be published on May 1st and called June 1st and the company wishes to be in possession of the funds before the call is published.

The company is therefore bending every effort to get the registration certificate compiled and filed by April 1st on the theory that it will then become effective on April 20th, giving them ten days leeway. To this end Mr. Woods has remained in Los Angeles and Mr. Arthur Dean of Sullivan & Cromwell flew out there on Friday last. The Chicago firm of Butler, Pope, Ballard & Eltinge who have apparently acted for the Harris Trust in past Southern California Edison bond issues will be brought into the situation, although it is not clear in exactly what capacity.

We understand that the proposed bond issue will have to be sold at a net price to the company which makes the cost of the money not over 4% or they will not do the business. The principle of a 2½ point spread has been agreed upon, which would make it necessary to sell the bonds to the public on a 3.83 basis. Mr. Macomber and Mr. Ramsey arrived at an understanding with Mr. Bauer, President of the Southern California Edison Company, that if this business is done we are to head it and handle it, the question of what partners we have to be discussed with and approved by Mr. Bauer.

MARCH 22ND, 1935.

H. M. ADDINSELL.

EXHIBIT No. 1639-1

[From the files of The First Boston Corporation]

On basis of calling 5s of 1939 and 5s of 1951 aggregating approximately \$68,000,000 the following has been set up on a purely tentative basis

1. The First Boston Corporation (1-25-1)-----	30%	\$20,400,000
*2. E. H. Rollins & Sons, Inc. (2-11½-2)-----	10%	6,800,000
*3. Blyth & Company (4 3-10-3)-----	10	6,800,000
*4. E. B. Smith & Co. (5 5-7½-6)-----	7.5	5,100,000
5. Brown Harriman & Company (3 4-7½-4)-----	7.5	5,100,000
6. Lazard Freres, Inc. (6-7½-5)-----	7.5	5,100,000
*7. Wm. R. Staats Company (7-4 9)-----	3	2,040,000
*8. Dean Witter & Company (9-7½-7)-----	3	2,040,000
9. [1 mil.] Kidder Peabody & Company (10-4-10)-----	2	1,360,000
*10. Field Glore & Company (11-5-8)-----	2	1,360,000
11. [73%] White, Weld & Company (4-11)-----	3	1,360,000
12. Coffin & Burr, Inc. (3½-12)-----	2	1,360,000
13. [1 mil.] Lee Higginson Corporation (S)-----	2	1,360,000
*14. E. F. Hutton & Co.-----	2	1,360,000
15. [1 rpa.] Stone and Webster & Blodgett, Inc.-----	1	680,000
16. [1 rpa.] F. S. Moseley & Company (S)-----	1	680,000
17. Bonbright & Company-----	1	680,000
18. [750-1%] Estabrook & Company (S)-----	1	680,000
19. [756-1%] Starkweather & Co. (S)-----	1	680,000
20. [750-1%] Whiting Weeks & Knowles (S)-----	3½	680,000
21. Unallotted (213)-----	3½	2,380,000
[3%—Pacific Co.]-----	100%	68,000,000

[500, ½—Ballou, Adams & Whittemore]

[Paine Webber (S) Granberry (S)]

[Hornblower & Weeks (S) Seligman—Original]

[Arthur Perry (S) H. M. B. & C. (S)]

[73m W. C. Langley (S) Aldred & Co.]

Matter in parentheses written in.

Matter in brackets written in margin.

*Indicates people Mr. Bauer wants to talk to himself.

EXHIBIT No. 1639-2

[From the files of The First Boston Corporation]

\$30,000,000 SOUTHERN CALIFORNIA EDISON COMPANY, REFUNDING 5's, DUE
SEPT. 1, 1952

OFFERED SEPT 15, 1927—COST 97—OFFERED AT 100 less ¼% TO BANKS, DEALERS,
INSURANCE COMPANIES

	Interest	Sales
Principals:		
Harris, Forbes & Co.....	30%	\$6,750,000
E. H. Rollins & Sons.....	30%	6,750,000
National City Company.....	10%	2,250,000
Coffin & Burr, Inc.....	3%	675,000
First Securities Co., of Los Angeles.....	7%	1,400,000
Blyth, Witter & Co.....	4%	900,000
Wm. R. Staats, Los Angeles.....	4%	720,000
Security Trust Co., Los Angeles.....	2½%	500,000
American National Bank, San Francisco.....	2%	375,000
Bond & Goodwin & Tucker, San Francisco.....	7½%	1,500,000
	100%	\$21,820,000
Wholesale:		
New York Territory.....	\$3,048,000	-----
Chicago Territory.....	4,386,000	-----
Boston Territory.....	1,744,000	9,178,000
Selling Commission.....	1%	30,998,000
	Shortage	998,000

EXHIBIT No. 1639-3

[From the files of The First Boston Corporation]

THE FIRST OF BOSTON CORPORATION

PRIVATE WIRE

Received from San Francisco 3-21-1935.

No. 360.

RAMSEY, N. Y.:

Regarding Edison syndicate Bauer yesterday stated he would not wish have Bonbright or Byllesby in group but called attention to fact we had omitted Pacific Company. Stop. Latter strong local institution in which Cochran Director Edison has interest and was in previous business. Stop. Many of its executives were with bond department Security First National Bank. Stop. Have this firm in mind for some participation.

WOODS, LA.

EXHIBIT 1639-4

[From the files of The First Boston Corporation]

THE FIRST OF BOSTON CORPORATION,
215 WEST SIXTH STREET,
Los Angeles, Calif., March 23, 1935.

Air mail

Mr. GEORGE RAMSEY,

The First of Boston Corporation, 100 Broadway, New York, N. Y.

DEAR GEORGE: With reference to your long wire of today:

1. I do not believe Stanley Russell makes any impression on Bauer.

In my presence yesterday Bauer wired him that the syndicate leader would be announced at "12 noon P. S. T. Monday."

2. I do not think Bauer has any interest in the relative position of the names Smith, Brown, and/or Lazard. If he has I will transmit them to you Monday afternoon. My strong personal preference is to have Lazard appear in the

position we placed him in our original list. I think Russell treated us badly in San Francisco and I wish to remind you so that you can tell H. M. A. that he stated the reason he placed Smith ahead of us in the gas business was because of "personal preference." I suggest Smith's name be kept in the position in our original list because they brought us the Chesapeake business. If Brown would put us in the Distilleries deal I would vote to make the order of these three names—Brown, Smith, and Lazard.

3. Regarding Rollins, I think Howe, because of his close personal relationship with two and possibly three directors could have muddled the waters to some degree if he had been inclined to do so. Bauer indicated yesterday that he expected Rollins would be second in the business. He stated that they were anxious to have a 30% interest and he asked if I thought they rated any such position. I said I did not, and he replied that he thought 10% was about right but cautioned me not to quote him because if I did he would deny having made the statement.

I said we would handle the Rollins' situation and he suggested that we should do it carefully because some of his directors were quite keen on the company's relations with its historic bankers. Howe does not expect, in my judgment, to receive as large an interest as we do or to participate in making up the group or to participate in any management fee we may charge. If we had suggested 20%, he would nevertheless be asking for a larger interest. I think you fellows in New York will have to decide his interest and I am sure whatever we decide will be okay with Bauer. I think Howe is leaving here tomorrow in which event he will be in New York Monday. If you find he is in New York we can be much less delicate and spend much less time talking than if he stays out here because it will not be as easy for him to communicate with his friends on the Board.

4. With respect to Blyth, I think Bauer feels that we have them in about the proper position although I do not recall that he has commented specifically on this firm.

5. As I wired you, Bauer wishes to black ball Bonbright. In addition he commented unfavorably on the inclusion of Lee Higginson in our list because they were mixed up with some major "fascos". When I pointed out that the first eight names, plus Pacific Company and perhaps one or two others, would be the only people appearing, he replied that in that case he did not care who we included from the standpoint of selling the bonds.

Generally speaking, Bauer is about fed-up with discussing the syndicate. I think he will accept whatever we submit to him, generally along the lines, of course, of the discussions you are familiar with and those summarized in this letter.

6. Bent of Field Glore has been very decent and Bauer stated yesterday that he thought it was a good name. I am sure, however, they can be included or left out as you and John and the others may decide.

In passing I must say that as I have gotten to know Bauer better I have developed a great admiration for him and I think you should revise your opinion as it was voiced just before you left here.

Very truly yours

GEORGE D. WOODS.

GDW:g

EXHIBIT No. 1639-5

[From the files of The First Boston Corporation]

[Copy]

Letterhead of

AMERICAN CAPITAL CORPORATION

LOS ANGELES, CALIFORNIA

APRIL 8, 1935.

SIDNEY A. MITCHELL, Esq.,

Bonbright & Company, Inc.,

25 Nassau Street, Los Angeles, California.

DEAR MR. MITCHELL: Thanks for your letter of April 4th. I was surprised to note that Bonbright & Company was not included in the list of underwriters of

the Southern California Edison issue, and I had assumed that possibly you had reached the conclusion that the issue was coming out on too low a yield basis, or that you had not considered it attractive for some other reason. I note your continued interest in the situation, however, and I shall be pleased to pass on to you any information that may come to me with respect to the later offering.

I have checked the situation a little since receipt of your letter, and I get the impression that your close connection with Electric Bond and Share Corporation and association with other financing of "holding companies" was considered a negative factor from a political angle. You will recall that Mr. Bauer in his address to shareholders at the annual meeting emphasized that the Edison Company had no holding company affiliations. I do not know that this is important, but I pass it on for what it may be worth, and I would suggest that it would be well to emphasize the large volume of financing which you have done for the operating companies—the underlying issues. I recall that you referred to this volume of business in the discussion with Messrs. Meyer and O'Melveny at the Union Bank & Trust Company. If you will send me these figures perhaps I can use them in some way that might be helpful.

Yours very sincerely,

(Signed) J. B. LOVELACE.

JBL GBA

EXHIBIT No. 1639-6

[From the files of The First Boston Corporation]

THE FIRST BOSTON CORPORATION

PRIVATE WIRE

No. 408 Night

Received from Los Angeles, Mar. 23, 1935.

YESTERDAY'S WIRE

RAMSEY, N. Y.:

Bent Field Glore just advised that he had recommended to Bauer yesty that we head business Stop He is hopeful we will invite his firm in Stop for your information he states Field Brown Harriman Haydon Stone Blyth has made trade with National Distillers for fifteen million ten year 4½s with strong sinking fund but no conversion Stop If you include Field in Edison business having in mind Blyth & Brown will also be in it think we should have opportunity of considering participation on original terms National Distillers

WOODS LA 46 A 4½

EXHIBIT No. 1639-7

[From the files of The First Boston Corporation]

THE FIRST BOSTON CORPORATION

PRIVATE WIRE

73N Issue Telegrams, Vol. 15.¹

H. M. A.¹

Phoned ¹

No. 499 Night

Received from LA 3-25-1935.

YESTERDAY'S WIRE

RAMSEY, N. Y.:

Field name included for five per cent at A W Harris suggestion also because Bauer and Kemp felt we did not have good middle western firm Stop Nevertheless hope you will try get interest their distilleries business in exchange for participation

WOODS LA

¹ In pencil on original.

EXHIBIT No. 1639-8

[From the files of The First Boston Corporation]

THE FIRST BOSTON CORPORATION

PRIVATE WIRE

No. 502 Night

Received from Los Angeles 3-25-1935

YESTERDAY'S WIRE

LONG 502, RAMSEY, N. Y.:

Confirming telephone conversation participations are Boston 25 Rollins 10 Brown Lazard Smith Blyth Witter 7½ each Field 5 Staats Kidder 4 each Coffin 2½ Pacific Company 2 Stop This totals 90 percent and this group will appear on underwriting contract and in registration statement Stop I left it with Bauer that remaining 10 percent would be pro rated among this group for contract and registration blank purposes but would be offered on original terms subject our management fee of one eighth or one fourth to the remaining names on our list Stop That is agreeable to him excepting that Seligman is to have Hutton's interest Stop I suggest you add one percent to each of first ten names and have agreement with them that they will give up one percent at our request Stop Bauer not interested in remaining names excepting to see list of them after we have decided upon them in order to be sure they are what he considers respectable Stop He authorizes us to say that foregoing participations were arrived at after discussion with and have been agreed upon by Bauer Stop Please advise me when we are free insert foregoing names and percentages as adjusted to take care of extra ten percent in registration blank and forward by wire holdings each participant in stocks and bonds company as of December 31 1933 and December 31 1934 Stop Do you wish me talk with Witter Staats Pacific Company.

Woods LA.

25 10 7½ 5 4 2½ 2 90 10 31 1933 31 1934.

EXHIBIT No. 1639-9

[From the files of The First Boston Corporation]

PRIVATE WIRE—INCOMING

\$73N Issue Telegrams, Vol. 15.

286/408 LOSA.

Pls Dlr Fllg Thru George Woods to Harry J. Bauer, Southern California.

On reaching office this morning and analysing the suggested makeup of syndicate I am terribly disappointed to see the firm of White Weld & Co. eliminated Stop In view particularly of our relations with this firm I would very much like to see them reinstated for a suggested three percent unless it is contrary to your wishes. This house is important here in the East particularly in the New England market and for the good of the deal would like to see them in. How do you feel about it.

JOHN MACOMBER.

(Stamped:)

EXHIBIT No. 1639-10

[From the files of The First Boston Corporation]

THE FIRST BOSTON CORPORATION

PRIVATE WIRE

\$73 M Issue Telegrams Vol. 15.
No. 461 A

Received from New York.

Refer to 461 G. D. Woods, LA.

Understand percentages and order now as follows First Boston Corporation twenty five percent Rollins ten Blyth ten Brown Harriman seven one-half Lazard seven one half E. B. Smith seven one half your wire 502 indicates Witter seven one half instead of five and we are assuming that figure for them Field Glore five Staats four Kidder Peabody four White Weld three Coffin & Burr two one half Pacific Company two stop this adds up to ninety five one half percent stop Rollins making strong representations that they should have larger interest on account of historical situation stop because of their past association how would Mr. Bauer feel about giving some of left over to them say two one half percent additional stop we had already spoken to Brown in accordance your 502 and they are naturally much disappointed to be displaced in third position and raised question as to whether in advertising they could appear in third position in the East Blyth appearing in same position in West

H. M. ADDINSELA, N. Y.

EXHIBIT No. 1639-11

[From the Files of The First Boston Corporation]

THE FIRST BOSTON CORPORATION,
New York, N. Y., March 27th, 1935.

Mr. WILLIAM EDMUNDS,
Boston.

DEAR BUSTER: You probably thought I was very stupid in regard to the White Weld-Aldred matter but I have always connected the White Weld firm with the Aldred interests naturally and just when you telephoned I was struggling with Los Angeles to keep White Weld & Company in the original syndicate, from which their name had been eliminated, and when you spoke of Aldred and not Aldred & Company I associated it with the matter on which I was working at that particular moment. In all justice to myself I just do not think your conversation was any too clear as to whom you were talking about, but that I always have to contend with and I admit I should have been smart enough to have unraveled your thoughts.

As you know, we kept White Weld in the syndicate not only for the 3% which we originally had them down for but, having worn down the officials in the last few days with recommendations I rather imagine they just threw their hands up and said, "Let's call it a day" and approved the revised 4% for White Weld which we had been fighting for.

I just have your telegram regarding this and am delighted that Bill Barron and his associates are appreciative of our efforts. As I told him, they were efforts and without them they certainly would not have been in the business. As you well know, this was not handed to us on a silver platter to do with as we saw fit, but we have been subject to Mr. Bauer's approval all through. Anyway, it has unwound very satisfactorily for them and I am delighted.

Now in regard to Aldred & Company's position in Southern Cal. there has not been and there isn't a chance in the world of getting them in the buying syndicate. I think we can take care of them substantially in the selling syndicate and I have Frank Stanton now forecasting about what is going to be available. If you will telephone me on Thursday before you meet with Mr. Aldred I perhaps can give you a general idea of what we are going to be able to do for them, but it's pretty hard right now, as you can well imagine, to say anything very definite on participations in the sales end but I will do the best I can, but give me a ring.

Everything has gone along extraordinarily well, all things considered, in the Southern California deal and I hope the registration certificate will be in perhaps Saturday of this week, so if that's so the bonds can be offered along about April 19th or 20th.

Mr. Bauer is coming East on the 13th to trade out the final price, which I am not awfully keen to tackle, but it's something that will have to be decided about that time I guess.

I am enclosing herewith a list of the underwriters and their order in the advertising with the amounts on which we have finally agreed. Please show this to Bill Potter, reserving comments until I return to Boston because it won't do any good to try to revise this now as this is a closed book.

We stepped Coffin & Burr up from $2\frac{1}{2}$ to $3\frac{1}{2}$, which was just I think in view of their old connection with the business and they are very much pleased. We finally gave Rollins $11\frac{1}{2}$ instead of the original 10 as they felt very badly at being cut down from their old participation of 30%. I also at the last minute got Stone & Webster and Blodgett in it for 1%, which will help us on wholesale bonds.

Keep this list confidential of course.

I shall be here the rest of the week and at a wedding in Hartford on Saturday, so I shall not be in the office until Monday. Do not have the flowers sent in until Monday morning.

Cordially,

J. R. M. (?)

EXHIBIT No. 1639 12

[From the files of The First Boston Corporation]

\$73 M. Issue Telegrams, Vol. 16.

THE FIRST BOSTON CORPORATION

PRIVATE WIRE

Received from Boston 4-12-1935.

No. 216.

REFER TO: 216 MACOMBER.

In view coming Narragansett do you think advisable to raise Bodell in So. Cal. he is down for 35 bonds of course we can juggle our wholesale list to increase him if you think wise.

EDMUNDS. 35.

EXHIBIT No. 1639-13

[From the files of The First Boston Corporation]

So. Cal. Ed.*

Date April 17, 1935.

73,000,000.

BE BRIEF WRITE PLAINLY

Transmit via Western Union

ALBERT W. HARRIS,

695 So. El Molino Avenue,

Pasadena, Calif.

Confidential. Underwriting agreement signed this morning. Stop. Price to company 96 flat, price to public 98½ flat. While we did not receive as much as I had expected I am satisfied that it is a fair price. Stop. I think you selected a worthy successor. Am sure our relations with First Boston will be happy. Your friend John is enough like you so that he and I will be able to talk the same language. Wish you had been here. Best regards to Mrs. Harris and yourself.

*In pencil on original.

HARRY. [J. BAUER.]

EXHIBIT No. 1639-14

[From the files of The First Boston Corporation]

MEMO

4-22-35

\$73,000,000

SOUTHERN CALIFORNIA EDISON COMPANY, LTD.

REFUNDING MORTGAGE GOLD BONDS—SERIES OF 3¾%

DUE 5/1/1960

Date Offered—April 22, 1935.

Underwriting Group—Purchase Price 96 Flat.

Gross Spread—1½%. All expense chargeable.

Service Compensation—1%.

Selling Syndicate Commission—1% Net.

Offering Price—98½ Flat.

Reallowance—¼ to Registered Dealers.

Syndicate Termination Date—May 31, 1935.

Underwriters	Percent	Original participation	Sales to insurance cos	Selling syndicate participation	Net participation
First Boston Corporation	25	\$18,250,000	\$400,000	\$5,658,000	\$12,192,000
E. H. Rollins & Sons	11½	8,395,000	184,000	2,603,000	5,608,000
Blyth & Co., Inc.	10	7,300,000	160,000	2,263,000	4,877,000
Brown Harriman & Co., Inc.	7½	5,475,000	120,000	1,697,000	3,658,000
Lazard Freres & Co., Inc.	7½	5,475,000	120,000	1,697,000	3,658,000
Edward B. Smith & Co.	7½	5,475,000	120,000	1,697,000	3,658,000
Dean Witter & Co.	7½	5,475,000	120,000	1,697,000	3,658,000
Field, Gloré & Co.	5	3,650,000	80,000	1,132,000	2,438,000
Wm. R. Staats & Co.	4	2,920,000	64,000	905,000	1,951,000
Kidder, Peabody & Co.	4	2,920,000	64,000	905,000	1,951,000
White, Weld & Co.	4	2,920,000	64,000	905,000	1,951,000
Coffin & Burr, Inc.	3½	2,555,000	56,000	792,000	1,707,000
Pacific Co. of California	2	1,460,000	32,000	453,000	975,000
Stone & Webster & Blodgett	1	730,000	16,000	226,000	488,000
	100	\$73,000,000	\$1,600,000	\$22,630,000	\$48,770,000

Sales to Insurance Companies at 98½ Flat

Mutual Life Insurance Co. of New York	\$300,000
Mutual Benefit Life Insurance Co., Newark	300,000
Aetna Life Insurance Co., Hartford	500,000
Penn Mutual Life Insurance Co., Phila.	500,000

\$1,600,000

There were \$10,000,000 offered to (11) Insurance Companies of which only \$1,600,000 were accepted. The remainder turned down due to low coupon rate of 3¾%.

There were 657 dealers invited into the Selling Syndicate amounting to \$22,630,000. Of these dealers 24 declined amounting to \$480,000, which were redistributed among the 633 dealers who accepted.

(Handwritten:) 73M.

After the offering of these bonds, it was necessary to form a Special Syndicate Account to keep a trading market. These bonds were purchased and sold only to Selling Syndicate members. We purchased \$2,640,000, which represented repurchases of \$2,124,000 from West Coast principals, \$209,000 from other Coast participants, and \$307,000 from remaining participants. Reports indicate that at least \$800,000 additional bonds were purchased from Coast principals by others.

Syndicate Closed—May 4, 1935

Territorial Distribution

Number of Dealers		Territory	Orig. allotment	Additional	De-clined	Balance
Ac-cepted	De-clined					
40	6	Atlanta.....	455M		55M	400M
54	1	Boston.....	4,615	10M	10	4,615
36	2	New England.....	580		20	560
24		Baltimore.....	605			605
74	1	Chicago.....	1,975	60	5	2,030
18		St. Louis.....	450	10		460
6		Kansas City.....	65			65
15		Minneapolis.....	350		50	300
21		Cleveland.....	690	25		715
115	6	New York City.....	6,350	325	170	6,505
49		Upstate, N. J., Conn.....	735	35		770
55		Philadelphia.....	1,175	10		1,185
25	1	Pittsburgh.....	330		5	325
15		Washington.....	290	20		310
82	6	West Coast.....	3,765		140	3,625
4	1	Canada.....	185		25	160
633	24		22,615M	495M	480M	22,630M

The physical delivery of these bonds on May 1, 1935 was as follows:

New York.....	\$46,137,000
Boston.....	11,185,000
Chicago.....	7,093,000
San Francisco.....	8,585,000
Total.....	\$73,000,000

EXHIBIT No. 1639-15

[From the files of The First Boston Corporation]

GEORGE O. MUHLFELD
President, New York

CHARLES A. STONE,
Chairman of the Board, New York.

EDWIN S. WEBSTER,
Vice Chairman of the Board, Boston.

STONE & WEBSTER, INCORPORATED,
90 Broad Street, New York, N. Y., April 1, 1935.

OFFICE OF THE PRESIDENT

(Handwritten:) \$70,000,000 Issue.

Mr. JOHN R. MACOMBER,
100 Broadway, New York City.

DEAR JOHN: When I returned from Washington, Van told me that you had included us in the Southern California business and I am certainly obliged to you. He also tells me that there is a large Duquesne issue coming and as you and I decided it would be better to discuss these things over a cocktail instead of exchanging a barrage of letters, I will be brief now and call you up when you arrive in New York.

I think that our special reasons for asking you to include us in the Minneapolis General Electric and Wisconsin Public Service purchase groups were sound, but I recall that these groups were not enlarged at all. Van assumes that the Duquesne group will be enlarged on account of the size of the issue and he and I would appreciate a chance to talk to you about this one. He tells me, however, that we have no special historic relationships with this Company, but if there is room for new blood in this part of the Byllesby system, you might be able to include¹ us here as sort of a substitution for the other issues where there was no room for us.

¹ (Handwritten) D. L.

Not knowing whether you will be here tomorrow, I am sending a copy of this letter to Boston.

Yours sincerely,

G. O. MUHLFELD.

EXHIBIT No. 1639-16

[From the files of The First Boston Corporation]

Grou offering—Southern California Edison Company 3¾% due May 1, 1960—to insurance companies 4/22/35

ACCEPTED		DECLINED	
Mutual Life Insurance Co. of New York, N. Y.-----	\$300, 000	Equitable Life Assurance Society of U. S.-----	\$500, 000
Mutual Benefit Life Insurance Co., Newark-----	300, 000	John Hancock Mutual Life Ins. Co. Boston-----	1, 000, 000
Aetna Life Insurance Co., Hartford-----	500, 000	Metropolitan Life Insurance Co.-----	2, 500, 000
Penn Mutual Life Insurance Co., Philadelphia--	500, 000	New England Mutual Life Insurance Co. Boston----	200, 000
Total acceptances---	\$1, 600, 000	New York Life Insurance Co.-----	1, 700, 000
		Prudential Insurance Co. Newark-----	2, 000, 000
		Travelers Insurance Co. Hartford-----	650, 000
		Total declinations--	\$8, 550, 000

SYNDICATE DEPARTMENT.

EXHIBIT No. 1639-17

[From the files of The First Boston Corporation]

INTER-OFFICE COMMUNICATION
THE FIRST BOSTON CORPORATION

BOSTON OFFICE, 4 October 1939.

MR. GEORGE D. WOODS,
Vice President, New York Office.

DEAR MR. WOODS: In accordance with your request to Mr. Gerade, we list below profit distributed to the various underwriters in connection with \$73,000,000. Southern California Edison Co. Ltd. 3¾s 5-1-60—

The First Boston Corporation-----	\$461, 978. 05
E. H. Rollins & Sons, Inc.-----	149, 543. 46
Blyth & Co. Inc.-----	130, 044. 37
Brown Harriman & Co., Inc.-----	97, 536. 72
Lazard Freres & Co.-----	97, 536. 72
E. B. Smith & Co.-----	97, 536. 72
Dean Witter & Co.-----	97, 536. 72
Field Glore & Co.-----	65, 015. 31
William R. Staats Co.-----	52, 020. 49
Kidder, Peabody & Co.-----	52, 020. 49
White, Weld & Co.-----	52, 020. 49
Coffin & Burr, Inc.-----	45, 516. 22
Pacific Co. of California-----	26, 003. 38
Stone & Webster and Blodget, Inc.-----	13, 008. 56

\$1, 437, 317. 70

Very truly yours,

J. B. DOBBINS.
(J. B. Dobbins)
Assistant Comptroller.

EXHIBIT No. 1639-18

[From the files of The First Boston Corporation]

[File copy]

THE FIRST BOSTON CORPORATION

New York Office

MEMORANDUM

APRIL 6, 1935.

To: Mr. John R. Macomber

Subject:

We have received from Lazard Freres & Co., Inc. the final and complete record of the Selling Group on Pacific Gas & Electric Company First & Refunding Mortgage Series G, 4% Bonds due 1964. For your information, I am enclosing a list of the special cases in Boston and New England which we are considering for the Southern California Edison deal together with the allotments they received in the Pacific Gas deal.

Shaw, Aldrich & Co. have been in communication with us, and at the present time they are on our list for ten bonds.

A. C. Allyn & Co. are on our Chicago list for \$100,000 bonds, but Duncan is very anxious to have this raised if possible.

At the present time we are trying to confine the wholesaling on the Coast to \$1,000,000 and the Middle West to \$4,000,000, making \$8,000,000 west of the Mississippi. This would leave \$10,000,000 for the entire East. Of this total the ten names assigned to the New England territory account for \$4,900,000 and Bill Potter needs \$1,500,000 for the small dealers in addition. This makes a total of \$6,400,000. The special names assigned to the New York area at the moment total \$4,785,000. In addition we estimate \$1,250,000 necessary for the smaller dealers just in New York City alone. This does not take into consideration Ohio, Pennsylvania, Suburban New York, New York State and the entire South. In other words, to keep our special list at the present figures and to take care of some of the smaller dealers throughout the country would require an additional \$6,000,000 of bonds in addition to the amounts mentioned for New York City and New England dealers. Roughly speaking, that would be a gross figure of \$18,000,000 east of the Mississippi and at the moment we have only \$10,000,000. This means a lot of cutting down of allotments and cutting out smaller dealers, the type who are working with our Trading system daily. Considering the obligations that we are under in the special interests it looks to me as if \$18,300,000 is not enough. In the Pacific Gas deal only \$5,000,000 were offered to the insurance companies, and Jim is contemplating \$12,000,000 in our deal. It is possible that this figure might be cut down and the amount saved allocated to wholesaling. To do a moderately fair job we would need at least \$21,000,000, and to do a good job \$26,000,000.

You have plenty of things to take up your time without being thrown into this part of the picture, but I thought you might like a report of the present situation. George Woods and I are now actively working on the problem.

F. M. S.

FB 701-2

Handwritten: 73m.

EXHIBIT No. 1639-19

[From the files of The First Boston Corporation]

(Hand written:) So. Cal. Ed.

THE FIRST BOSTON CORPORATION

NEW YORK OFFICE

MEMORANDUM

To:	Subject		
BOSTON			
Ballou, Adams & Whittemore, Inc. (25)	-----	200,000	(100)
R. L. Day & Co. (75)	-----	400,000	(200)
Estabrook & Company (175)	-----	750,000	(300)
Hornblower & Weeks (150)	-----	200,000	
Jackson & Curtis (100)	-----	250,000	
Lee Higginson Corp. (300)	-----	750,000	
F. S. Moseley & Company (150)	-----	1,000,000	
Paine, Webber & Co. (100)	-----	100,000	
Arthur Perry & Company, Inc. (50)	-----	250,000	(150,000)
Whiting, Weeks & Knowles, Inc. (100)	-----	1,000,000	
NEW YORK			
Aldred & Company (25)	-----	500,000	
Bancamerica-Blair Corp. (150)	-----	80,000	(100)
Bonbright & Co. (P)	-----	100,000	
H. M. Byllesby & Co., Inc. (P)	-----	500,000	
Eastman, Dillon & Co. (150)	-----	100,000	
Goldman, Sachs & Co. (100)	-----	200,000	
Granbery, Safford & Co. (50)	-----	250,000	(150)
Hayden, Stone & Co. (150)	-----	200,000	
W. E. Hutton & Co. (250)	-----	200,000	
Ladenburg, Thalmann & Co. (100)	-----	100,000	
W. C. Langley & Co. (250)	-----	250,000	
J. & W. Seligman & Co. (250)	-----	200,000	
Starkweather & Co., Inc. (225)	-----	400,000	
Tucker, Anthony & Co. (50)	-----	75,000	
SAN FRANCISCO			
Weeden & Co. (15)	-----	400,000	(250)
FB 701-2			

[Figures in parenthesis are hand written.]

EXHIBIT No. 1639-20

[From the files of The First Boston Corporation]

1101 CB ew York N. Y. A. 1159A Apr. 22, 1935.

HARRY ADDINSELL,

*Chairman of Executive Committee,**First of Boston Corp., Pgtm.*

After constant requests over a period of weeks for reasonable consideration in Southern California Edison bonds and representation of our needs we have this morning been allotted forty five bonds to meet needs of an organization of almost two hundred salesmen and subscriptions for several millions of the securities. Stop We believe that for one of largest distributing organizations

of this country to be allotted forty five bonds out of seventy three million comes pretty near being insulting Stop We greatly hope that you will use your good offices to secure for us some approximation of fair treatment in this offering.

73 M.*

STANTON GRIFFIS,
For HEMPHILL NOYES AND COMPANY.

1208P

*In pencil on original.

EXHIBIT No. 1639-21

[From the files of The First Boston Corporation]

THE FIRST OF BOSTON CORPORATION,
100 Broadway, New York, April 22nd, 1935.

STANTON GRIFFIS, Esq.,
Hemphill Noyes & Co.,
15 Broad Street, New York City.

MY DEAR MR. GRIFFIS: I received you wire about the Southern California Edison bonds. Mr. Bauer also received a similar wire from you, but he was leaving for the west coast this afternoon and I don't know whether he had a chance to communicate with you before he left. If he did not you will doubtless hear from him after he gets home.

I am sorry we were not able to get more bonds for you, although I understand we were able to increase somewhat the original amount. In spite of the size of this issue the amount that a fairly long list of principals were willing to wholesale, combined with the desire of the company to take good care of the California dealers and to obtain wide distribution throughout the country, made it difficult to satisfy most of our friends.

Yours sincerely,

H. M. ADDINSELL.

EXHIBIT No. 1639-22

[From the files of The First Boston Corporation]

SHIELDS & COMPANY
MEMBERS NEW YORK STOCK EXCHANGE
44 Wall Street

NEW YORK, April 25, 1935.

(Handwritten): Having lunch tomorrow with Cornelius Shields re this.
The First Boston Corporation
100 Broadway
New York, N. Y.

(Attention of H. M. Addinsell, Esq., Pres.)

Gentlemen

We wish to explain to you our reasons for turning down your offering to us of twenty bonds in the Southern California Edison selling group.

We had firm orders spread among our twelve offices for one million of these bonds at the issue price. We were in constant touch with your Syndicate Department for the three weeks preceding the wholesaling and gave you our commitment in writing for up to five hundred bonds in the selling group regardless of issue price. On being offered twenty bonds out of an issue of seventy-three million, we preferred to tell our salesmen and offices that we

were not in the business at all rather than try to allot twenty bonds through our organization.

We assure you we should be glad to be included in any of your future selling groups where you may find it possible to offer us an amount commensurate with our distributing ability.

Very truly yours

[Signed] SHIELDS & Co.

H. W.

(Handwritten:) Very recently they have developed the bond end of their business. Dick de la Chappelle is with them. Old line bond houses are getting preference.

THE FIRST BOSTON CORPORATION

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	100
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NOTE.—Specimens of dealer performance record cards used by other firms appear as "Exhibits Nos. 1888, 2043-2047-2", see Hearings, Part 24, pp. 12831 and 12967-12978.

* indicating deal headed by The First Boston Corporation.

indicating deal headed by others.

• Shares.

EXHIBIT No. 1640-1

[From the files of Harris, Hall & Company]

LOS ANGELES, CALIF., Nov. 4, 1935.

NORMAN W. HARRIS,
Harris Trust and Savings Bank, PNW:

Lageco officials say deal all made with underwriters too late include us only chance would be to get Blyth who will head deal to give us position. Stop. Please pass information on to Bower and Hall and suggest they see Blyth in New York soon as possible. Regards.

G. B. HEYWOOD.
 139P

EXHIBIT No. 1640-2

[From the files of Harris, Hall & Company]

PASADENA, CALIF., Nov. 5, 1935.

L. V. BOWER, HARRIS HALL AND CO.,
111 West Monroe St., Chgo.:

Though personally friendly president has apparently had past differences with bank which does not make him particularly anxious recognize historical position under circumstances or go out of way our behalf at this late date so claims matter closed issue and unwilling to do anything. Stop. Miller president of Pacific Lighting has final say but doubt if could accomplish anything without going San Francisco and then problematical as scarcely know gentleman. Stop. Tied up here for few days but could go north later in week if think worth while. Stop. Stanley or A. W. may know Miller and have some ideas.

GENE B. HEYWOOD.

[In ink: A. W. out. Might talk to Stanley but think doubtful.]

EXHIBIT No. 1640-3

[From the files of Harris, Hall & Company]

HARRIS TRUST AND SAVINGS BANK
 CHICAGO

Telegram

Send the following message via Western Union Teleg. Co.
 Charge—Department: Harris, Hall & Co.

CONFIRMATION COPY

G. B. HEYWOOD,
963 N. Oakland Ave., Pasadena, Calif.:

NOVEMBER 7, 1935.

Hall obtained half million interest in Los Angeles deal so unnecessary go to San Francisco.

NORMAN W. HARRIS.

EXHIBIT No. 1640-4

[From the files of Harris, Hall & Company]

C. E. MITCHELL,
Chairman.

Cable address
 BLYTHCO

BLYTH & CO., INC.,
 120 BROADWAY,

HARRIS, HALL & CO.,
111 W. Monroe Street, Chicago, Ill.
 Attention Mr. Hall

New York, November 6, 1935.

GENTLEMEN: Following your call upon us this morning, Mr. Addinsell of The First Boston Corporation came to see me regarding the underwriting of the

proposed issue of \$40,000,000. Los Angeles Gas & Electric Corp. First and General Mortgage bonds, series of 4's due 1970, now in registration. Under the circumstances as discussed when you were in our office, The First Boston Corporation has agreed to give up \$500,000. of the amount of their participation in this underwriting, and we are thus enabled to offer to you a participation of \$500,000. and would be glad to have your early reply as to whether this is acceptable.

The Issue will be broadly advertised throughout various states of the country and to the extent that you are registered as a dealer, we shall be glad to include your name. Assuming that you will want to be so included, please let us know to what extent you are registered or will be registered, bearing in mind that it is expected that the issue will be ready for offering on November 18th.

Copies of the registration and other necessary documents for study will be sent to you by mail tonight.

Very truly yours,

C. E. MITCHELL.

P. S.—We find that we do not have extra copies of the documents that could be sent from this office and have wired our San Francisco office to forward them to you from there by airmail today.

EXHIBIT No. 1640-5

[From the files of Harris, Hall & Company. Letter from L. V. Bower to George D. Woods]

FEBRUARY 15, 1936.

Mr. GEORGE D. WOODS,
Vice President, *The First Boston Corporation*,
100 Broadway, New York City, N. Y.

DEAR GEORGE: We have been looking around for bonds to employ a portion of our capital and surplus funds and began to examine into the Central Illinois Electric and Gas Company with this in mind.

However, the further we get into the situation, the more it seems to us that under present market conditions a refunding operation could be carried out which would be of benefit to the Company, and we are writing to ask whether you have had occasion to check this Company lately, and if so, whether or not you agree with us.

When we were talking last December about having a possible purchaser for the New York and Richmond Gas Company, you indicated that as a matter of policy you did not believe your organization should have any part in such a transaction. I hope you do not have the same feeling about a refunding job for the Central Illinois Electric and Gas Company, because you certainly are entitled to whatever perquisites go with this business. If, however, for any reason you feel that this prospective business should not be done in your shop, and would care to give us a boost with the Company, we should be happy to talk with whomever is the right party, and if, on the other hand, you do at the proper time work out something for the Company in your office, we hope you will find a place for us in the business and use our facilities to whatever extent they might be the least bit helpful to you in connection with the job.

With kind regards,

Very truly yours,

L V B

LVB:EW

EXHIBIT No. 1640-6

[From the files of Harris, Hall & Company]

THE FIRST BOSTON CORPORATION,
100 BROADWAY,
New York, February 18, 1936.

Mr. L. V. BOWER,
Harris, Hall & Company,
111 West Monroe Street, Chicago, Illinois.

DEAR LAHMAN: This will acknowledge your letter of the 15th relative to Central Illinois Electric & Gas Company financing.

I do not have the same feeling respecting financing by subsidiaries of Consolidated Electric & Gas Company that I had in connection with acting as broker for the sale by Washington and Suburban Companies of New York & Richmond Gas Company. As a matter of fact, within the past few months we headed a group which offered Atlanta Gas Light Company General Mortgage Bonds. It seems to me that this type of operation is in the ordinary course of our business and involves a function which the Company itself can not perform.

We have given considerable thought to the refunding of the Central Illinois bonds at various times and last fall we put the matter off for reconsideration after February first of this year because the call price on the largest block of bonds dropped $1\frac{1}{2}$ points at that time. Mr. Frye of the Central Republic Company has an important interest in this business and he checks in with us and with the Company regularly.

It is a coincidence that about the time I received your letter Mr. Frye sent us a comprehensive memorandum on the refunding possibilities, which I am now having checked and studied by Jim Howe of our own office.

Off-hand, it looks to me as though a sound refunding job can be done in the very near future although our figures are not entirely complete as yet.

I have in mind that when and if it is possible to work out a refunding plan, we will discuss the matter with you with a view of including your firm in the business on some basis. Meanwhile, if you have any concrete ideas or have prepared any figures which would be interesting or helpful to us, I would be glad to have a copy of them.

Very truly yours,

GEORGE D. WOODS.

GDW:mms

EXHIBIT No. 1640-7

[From the files of Harris, Hall & Company. Letter from L. V. Bower to George D. Woods]

FEBRUARY 21, 1936.

Mr. GEORGE D. WOODS,
First Boston Corporation,
100 Broadway, New York, New York.

DEAR GEORGE: Thanks for your letter of February 18 relative to the Central Illinois Electric & Gas Company. If this was free business I did not want to be asleep at the switch, and that was my main reason for checking with you.

We have not made any careful study of the situation other than to be convinced that if the company should be willing to devote a substantial part of an interest saving to at least a temporary debt reduction program, it should be possible to sell a refunding issue of 4% bonds to refund outstanding 5s and 6s. Whether the debt reduction is accomplished in a way to yield the greatest benefit to the company by providing a sinking fund or by using available funds for serial payments on notes, as has been done in other cases with which you are familiar, we are not sure but lean to the latter.

In my letter to you I referred to the use of our facilities and meant this to mean physical facilities, because of our closeness to the company's office. In other words, I thought that if you wanted something from the company and didn't care to make the trip out here at this time, we could hop over to Rockford for you and act as sort of a post office. However, I note from your letter that Newt Fry of the Central Republic Company is probably performing this service for you.

I have been in Iowa the past four days and the business I discussed with Dunc Linsley and Jim Lyles a couple of weeks ago seems to be coming along. We expect to have something to talk about in the next two or three weeks, and hope that you will be interested.

With kind regards, I am

Very truly yours,

L. V. B.

LVB:IB

EXHIBIT No. 1640-8

[From the files of Harris, Hall & Company]

HARRIS, HALL & COMPANY
(Incorporated)

111 WEST MONROE STREET

Telephone Randolph 5422

Mr. GEORGE D. WOODS,
The First Boston Corporation,
100 Broadway, New York, N. Y.

CHICAGO, August 30, 1938.

DEAR GEORGE: Since you telephoned me several days ago, Gene Heywood has been spending practically all his time working over figures pertaining to Central Illinois Electric & Gas Company, and just this morning received some late data from Ed Boshell.

Lahman Bower is back on the job but has not returned to Chicago, and Gene left town this afternoon to join Lahman on a little special job he has been working on a long time. So they will have an opportunity to go over the problem together and when they get back in two or three days we shall all give it close attention. As you predicted, we find it is not an easy problem to solve, but we are delighted to be working on it.

Yours very truly,

Edward B. Hall
IMN

EXHIBIT No. 1640-9

[From the files of Harris, Hall & Company]

THE FIRST BOSTON CORPORATION

100 BROADWAY

NEW YORK, September 2, 1938.

Mr. EDWARD B. HALL,
Harris, Hall & Company (Incorporated),
111 West Monroe Street, Chicago, Illinois.

DEAR ED: Thank you for your note of the 30th. There is no breakneck rush about Central Illinois and I am glad that you are going at it.

When you are ready to talk about it, we would like to sit in, and Ed Boshell and I will be glad to see you in New York or, if more convenient, we can go to Chicago.

Very truly yours,

George D. Woods
elm

GEORGE.

EXHIBIT No. 1640-10

[From the files of Harris, Hall & Company]

Mr. GEORGE D. WOODS,
The First Boston Corporation,
100 Broadway, New York City, N. Y.

SEPTEMBER 2, 1938.

DEAR GEORGE: I have been trying to pay you a social visit by telephone the last two days since I have returned to the office, but without success. I merely wanted to thank you for thinking of us in connection with the Central Illinois Electric and Gas; to promise that it would receive our very best attention; to remind you that the prospects are not glowing for finding a workable formula; and to express the hope that the negotiations might at least be made

sufficiently interesting to require your own participation out here where we may have the chance to reciprocate some of the hospitality you are always so ready to show us when we come to New York.

With kind regards,
Very truly yours,

L. V. B.

Lahman V. Bower
FW

EXHIBIT 1640-11

[From the files of Harris, Hall & Company]

JUNE 10, 1939.

Mr. GEORGE D. WOODS,
The First Boston Corporation,
100 Broadway, New York, N. Y.

DEAR GEORGE: I am glad we were able to satisfy Mr. Goodwin as to our financial responsibility.

Regarding the advertising program for the Central Illinois Electric and Gas Co. financing, I am flirting with the idea of including all 19 firm names in the advertisement and enclose a typewritten dummy to give a rough idea of how it would look.

Incidentally, Charlie Glore came over a couple of days ago to let me know in a nice way that he felt his firm's position in this account is not quite appropriate to their importance and said he would prefer not to appear in the advertising. He said, however, that if we were going to put everybody in and wanted him to go along, he would not refuse, but would still prefer to be left out if agreeable.

I would just as soon cut the list off after F. S. Moseley & Co., but that would make Bob Weeks feel badly, at least with respect to the Boston advertising, because his firm has only fifty less bonds than Moseley, and then the Illinois Company, who claim an historical interest, would feel injured. If those two were included, the number left out would be so small as to seem a little funny, and that is the train of thought that led to consideration of using the whole list.

I apologize for troubling you with this and shall appreciate any comments you have to make.

Yours very truly,
Edward B. Hall
IMN

EXHIBIT No. 1640-12

[From the files of Harris, Hall & Company]

This is an announcement and is not to be construed as an offer to sell or as a solicitation of an offer to buy the securities herein mentioned. The offering is made only by the Prospectus

\$14,750,000 CENTRAL ILLINOIS ELECTRIC AND GAS CO., FIRST MORTGAGE BONDS, —%
SERIES DUE 1964

Dated June 1, 1939

Due June 1, 1964

Price — and accrued interest

\$3,000,000 —% —% —% SERIAL DEBENTURES, DUE SEMI-ANNUALLY DECEMBER 1,
1939 TO JUNE 1, 1949

Priced variously according to maturity, plus accrued interest from June 1, 1939,
to yield approximately —

The Prospectus may be obtained in any state in which this announcement is circulated from only such of the undersigned as are registered dealers and are offering these securities in compliance with the securities law in such state.

Harris, Hall & Company (Incorporated); Central Republic Company; Halsey, Stuart & Co. Inc.; Bonbright & Company Incorporated; H. M. Byllesby and

Company; Kidder, Peabody & Co.; E. H. Rollins & Sons, Incorporated; A. G. Becker & Co., Incorporated; Glore, Forgan & Co.; Lee Higginson Corporation; Stone & Webster and Blodget, Incorporated; Coffin & Burr, Incorporated; F. S. Moseley & Co.; Whitting, Weeks & Stubbs, Incorporated; The Illinois Company of Chicago; The Wisconsin Company; Bodell & Co.; Starkweather & Co.; Granbery, Marache & Lord.

June —, 1939.

EXHIBIT No. 1640-13

[From the files of Harris, Hall & Company]

MR. LAHMAN BOWER,
October 20, 1938.

Via air mail.

MR. D. C. McCLURE,
*President, Central Illinois Electric and Gas Co.,
Rockford, Illinois.*

DEAR DON: AS I have told you, Mr. Bower has contacted Mr. Bell of Equitable Life Assurance Society and Mr. Rieter of Northwestern Mutual Life Insurance Company relative to the possibility of a private placement of the proposed new First Mortgage Bonds of Central Illinois Electric and Gas Co. Last week I sent to you a list of data which the Equitable would like to have as soon as possible in order that they may make up their minds as to whether or not they believe a private placement of the bonds is possible. I hope that Jim Murray is going right ahead with the preparation of this information. I would give it the right-of-way over the preparation of data for the registration statement, for much of the material is similar and if a private placement can be arranged, registration can be avoided.

I talked on the phone with Mr. Bell again today, and he is hoping that he and Mr. Rieter can make a personal inspection of the property of Central Illinois sometime next week. Mr. Bell wants to make the inspection in conjunction with another trip to Chicago, and he can't be definite now as to when he will get there. However, he will let me know in advance, and I will communicate with you.

Best regards.

Yours very truly,

E. O. Boshell/mn.
cc. to: Lahman Bower.

EXHIBIT No. 1640-14

[From the files of Harris, Hall & Company]

DECEMBER 6, 1938.

MR. DONALD C. McCLURE,
*President Central Illinois Electric and Gas Co.
Rockford, Illinois.*

DEAR DON: Thank you for your letters of December 5 covering additional copies of the material which has been assembled for the insurance companies who are considering a mortgage loan to Central Illinois Electric and Gas Co.

You will be interested to know that it appears now as though the response of the John Hancock Mutual would be favorable for \$2,000,000 which leaves us in the position of having interest shown in \$8,000,000 of the mortgage bonds by three companies, and indicates that our efforts from here on, for a while at least, had best be directed at the unsecured portion of the loan.

With kind regards,

Very truly yours,

Lahman V. Bower.
LB.

L. V. B.

EXHIBIT No. 1640-15

[From the files of Harris, Hall & Company]

APRIL 26, 1939.

MR. D. C. McCLURE,

*President Central Illinois Electric and Gas Co.,
Rockford, Illinois.*

DEAR DON: I am sorry to have missed you last week, but am glad to know you have returned from Hot Springs as we interpret that to mean you are feeling in perfect health again.

As you undoubtedly know, the Chase Bank has affirmed a renewed interest in some unsecured lending to the Central Illinois Electric and Gas Co. but required, as a preliminary to taking the matter up, a chance to examine the findings of the Securities and Exchange Commission in connection with the Company's application for the \$2,000,000. The order was published but the findings have never been assembled and released, and inasmuch as these go into certain questions of valuation write-ups, etc., it is proper for the Chase Bank to be interested in the attitude of the S. E. C. on these matters before going much further into the loan. Ed Boshell has been trying to get a copy of these findings for the past two weeks and has repeatedly been promised them without any fulfillment of the promise to date. The trouble seems to be that Mr. Ginsberg of the S. E. C. was supervising these matters and upon Mr. Douglas' appointment to the Supreme Court, Mr. Ginsberg went over to the Supreme Court Building as Mr. Douglas' clerk, and it seems to be hard in the ensuing shuffle to get somebody to transcribe these records for public release.

It seems too bad not to pursue this matter more actively, but the fact remains that the unsettled European situation has had a deadening effect on the market for all but a few of the very highest grade securities, and the Chase Bank at the moment seems to be the most likely key to unlock your whole refunding program provided we can interest them in a sizeable unsecured loan. There is nobody in the field who has been as active as the Chase people and nobody who is as familiar with the various aspects of your Company.

I came out through Rockford the week before last hoping to catch you in, and left word with the young lady in your office that I wanted full credit for an effort to pay you a call.

With kind regards,

Very truly yours,

L. V. B.

Lahman V. Bower,

LB.

EXHIBIT No. 1640-16

[From the files of Harris, Hall & Company]

AMERICAN STEEL FOUNDRIES

Early in January HWF told me he had talked further with Mr. George Scott on the subject of a possible financing for his Company to retire their 7% preferred stock. He was told by Mr. Scott that George Murnane of Monnet Murnane & Company, 30 Broad Street, New York (Hanover 2-6646, 2-2700), a director of American Steel Foundries, and formerly a partner of Lee, Higginson & Co., had been assigned the duty as a director of listening to propositions on the subject of new financing, and HWF recommended that I call on Mr. Murnane at the first opportunity.

I made such a call about January 6 or 7. Mr. Murnane said George Scott had told him I was going to call. He said further that the Company does not plan to retire this 7% preferred stock very soon. They feel that the holders of this stock went through the depression with them without dividends and are entitled to a great deal of consideration. They have now had all their back dividends paid up, but he thinks they ought to continue to draw 7% for a while without being disturbed. Eventually, however, if present favorable market con-

ditions continue, they will probably want to retire it. For this purpose they now feel that a new issue of preferred stock with or without conversion privilege, or an offering of common stock to the present shareholders would be the best way to raise the money.

Mr. Murnane said that Mr. Scott certainly would not make a move in the matter without consulting HWF, and that he knew Mr. Scott would prefer our house to any other if it were business of a kind that we were able and desirous of handling.

EDWARD B. HALL.

2-3-37

EXHIBIT No. 1640-17

[From the files of Harris, Hall & Company]

Harris Trust—Harris Hall CGO Calling Mr. Hall or Mr. Collins.
Neither hr rite now but will GV MSG on return.

Re Steel Foundries my final considered recommendation is to carry over any obligation to Becker to our next deal making two top interests sixteen per cent five interests at thirteen per cent which is million stop To me cutting interests finer does not really repay obligation to Goldman or Smith or Byllesby stop Moseley is now coming in thru company and I desire to be able say group formation concluded stop Obligations to Goldman Smith and Byllesby ante-date obligation to Becker and think we can carry latter along for a while stop Glore and Lee Hig represent company suggestion which cannot be ignored stop Have vague feeling company might prefer inclusion of only one between Goldman and Becker stop Re National Bond u have in mind meeting there at eleven this morning stop Suggest follow up Great Northern by encouraging Stillman to buy next good issue, pls advise us now next sale at which we will bid so we can get our information here in better shape for sales department stop Suggest follow up matter of enlarging Atchison account.

EXHIBIT No. 1640-18

[From the files of Harris, Hall & Company]

NEW YORK, N. Y., Nov. 8, 1935.

J. H. COLLINS,

Harris Trust & Savings Bk. Chgo:

Continental spent hour Brown this afternoon stop Believe we must decide go on or quit Friday morning stop Favor going on in silent underwriting position subject to satisfaction investigation by Moseley and selves stop Necessary put end to company shipping deal stop Favor two quarter points gross and pay bank, quarter fee stop Will keep in touch Moseley Boston and here.

L V BOWER.

EXHIBIT No. 1640-19

[From the files of Harris, Hall & Company]

NOVEMBER 18, 1935.

MR. NILES CHAPMAN,

*Chairman of the Executive Committee and Treasurer,
Continental Steel Corporation,
Kokomo, Indiana.*

DEAR MR. CHAPMAN: Referring to your telephone conversation today with Mark Brown, we are writing to say that we suggest to you the preparation and registration of an issue of \$2,000,000 Serial Debentures maturing \$200,000 each year from one to ten years and containing provisions generally similar

to those written into the notes held by the Harris Trust and Savings Bank, which represent a part of your presently outstanding bank credit.

Assuming these notes were available for public offering today and we had had a chance to make some examination of the property and business and satisfy ourselves that the situation is as satisfactory as we believe it to be, we would be prepared to pay you a price for this issue of notes which would mean a net cost of money to you of not to exceed $4\frac{1}{2}\%$.

Where we above refer to an inspection of property, you understand we mean spending only a matter of three or four days, which we are ready to do at any time upon word from you.

Very truly yours,

Lahman V. Bower
EMW

Vice President.

EXHIBIT No. 1640-20

[From the files of Harris, Hall & Company]

NOVEMBER 20, 1935.

Mr. NILES CHAPMAN,

*Chairman and Treasurer, Continental Steel Corporation,
Kokomo, Indiana.*

DEAR MR. CHAPMAN: This is the "letter" I promised to write you relative to raising \$2,000,000 for Continental Steel Corporation.

We suggest you issue \$2,000,000 one to ten year serial debentures maturing \$200,000 per year (\$100,000 each six months if the Company desires) to be registered, underwritten, and sold at public offering by the underwriter.

Such debentures should be issued in accordance with the terms of an indenture which should contain certain covenants the more important of which we discussed in Kokomo and which are:

1. A covenant not to mortgage existing properties while any of the debentures are outstanding.
2. A covenant not to pay cash dividends except out of earnings available for the purpose subsequent to _____ (I would like June 30, 1935, but am willing to be convinced January 1, 1935, would be better).
3. A covenant not to pay cash dividends to reduce current assets below 150% of current liabilities.
4. A covenant not to pay cash dividends which will reduce net current assets (working capital) to a figure less than either (a) \$1,000,000, or (b) the aggregate amount of these debentures plus any other funded debt maturing on or before the last maturity of debentures at the time outstanding, whichever is greater.
5. A covenant that a decline of current assets to 110% (I think 115% might be better but would not insist) of current liabilities shall be published by the Trustee and constitute a default upon request of holders of 50% of the debentures at the time outstanding.
6. Customary indenture covenants relating to independent annual audits and monthly financial statements, disposition or sale of major physical properties, to pay taxes, interest, etc., none of which, I am sure, will be difficult to arrive at on a mutually satisfactory basis.

For the purpose of avoiding high premiums on the early maturities and to make it possible to set a more favorable scale of call prices (which would have to be high if the debentures were sold at a high premium) we suggest that the debentures be issued as 2's, 3's, and 4's. With these coupons the call price could start at 102 for two years and drop $\frac{1}{4}$ of 1% each year which leaves the last year 100. In the event of partial call of debentures the retirement should be in inverse order of maturities.

Upon being satisfied with the legalities, the corroboration of figures by the auditors and a slight further check into the nature of the business, particularly from the sales end, we could today pay you a price for such an issue that would make the money cost you between 4.30% and 4.40%. This would

include our profit which we think should be about $2\frac{1}{4}$ points on the business. Because of the suggested 2%, 3%, and 4% coupons I cannot give you a single per centage price which would mean anything but you can figure that if the debentures were all fours the Company would receive about 98½ on a 4.30 basis and about 98 on a 4.40 basis. As 2's, 3's, and 4's the Company would receive about 96. In any event regardless of the coupon rate the cost of money to the Company in today's market would be within the range stated.

Now, with respect to a proposition to raise \$1,000,000 by sale of stock and \$1,000,000 by borrowing, I must say that we think such borrowing should be bank borrowing to show best results to the Company. With an additional \$1,000,000 of equity money in the picture you should have no trouble arranging a five year bank credit for \$1,000,000 on favorable terms. That, of course, lets us out.

A \$1,000,000 ten year Debenture issue with a sinking fund to retire by maturity, if the only funded debt, could probably be sold as 4¼'s at 99 to 99½—which is the interest basis we had in mind for the last serial maturity of the other issue. We think since the work would be the same in setting a \$1,000,000 loan as in setting up a \$2,000,000 loan we would be entitled to at least 3 points gross margin of profit. If the company received, say, 96 the money would cost about $4\frac{3}{4}\%$. The covenants would be essentially the same.

While no opinion was asked, we still hold to the opinion expressed in discussing a convertible issue that if business continues for a while as at present and this debt job is done at attractive rates, the present owners should be able to take in partners on a more favorable basis to themselves a little later than just at present.

Enclosed is a check for the money I owe you.

Very truly yours,

_____, Vice President.

Lahman V. Bower.

IMN.

EXHIBIT No. 1640-21

[From the files of Harris, Hall & Company]

JANUARY 7, 1936.

Mr. HAROLD E. WOOD,

First National Bank Building, St. Paul, Minnesota.

DEAR HAROLD: I have your letter of yesterday about the Continental Steel business and regret to say that it looks as if we shall not be able to do anything worth while for any of our good friends in connection with it. There were circumstances attending this loan which made it appropriate for us to share the issue with F. S. Moseley & Company. That cut it in two. Then, there is a certain bank with which we have historical relations which has born down on us to supply a fair sized block of bonds. We considered the matter and came to the conclusion that to have a selling group at all would cause a lot of grief and could not do any of our friends very much good. Accordingly, the prospect is for an offering at list price less one-quarter to dealers, and that's all.

I very much hope we are going to be able to originate some business before long in connection with which we can enlist the assistance of good friends like yourself and reward them suitably for their co-operation.

With kindest regards, I am

Yours very truly,

_____, President.

EDWARD B. HALL.

IMN.

EXHIBIT No. 1640-22

[From the files of Harris, Hall & Company]

\$14,750,000—CENTRAL ILLINOIS ELECTRIC AND GAS CO., FIRST MORTGAGE BONDS.
3¾% SERIES DUE 1964

Following is a list of the Underwriters of the above issue, the principal amount of bonds underwritten by each and the total purchase price paid to the Company at 98½ plus accrued interest from June 1, 1939, to June 27, 1939:

Underwriter	Principal Amount	Total Cost
Harris, Hall & Company (Incorporated).....	\$2,000,000	\$1,975,416.65
Central Republic Company.....	1,500,000	1,481,562.50
Halsey, Stuart & Co., Inc.....	1,500,000	1,481,562.50
Bonbright & Company, Incorporated.....	1,000,000	987,708.33
H. M. Bylesby and Company, Incorporated.....	1,000,000	987,708.33
Kidder, Peabody & Co.....	1,000,000	987,708.33
E. H. Rollins & Sons, Incorporated.....	1,000,000	987,708.33
A. G. Becker & Co., Incorporated.....	700,000	691,395.83
Glore, Forgan & Co.....	700,000	691,395.83
Lee Higginson Corporation.....	700,000	691,395.83
Stone & Webster and Blodget, Incorporated.....	700,000	691,395.83
Coffin & Burr, Inc.....	500,000	493,854.17
F. S. Moseley & Co.....	500,000	493,854.17
Whiting, Weeks & Stubbs, Incorporated.....	450,000	444,468.75
The Illinois Company of Chicago.....	400,000	395,083.33
The Wisconsin Company.....	400,000	395,083.33
Bodell & Co.....	300,000	296,312.50
Starkweather & Co.....	250,000	246,027.13
Granbery, Marache & Lord.....	150,000	148,156.25
	\$14,750,000	\$14,568,697.93

EXHIBIT No. 1640-23

[From the files of Harris, Hall & Co.]

\$3,000,000—CENTRAL ILLINOIS ELECTRIC AND GAS CO., 3%-3½%-4% SERIAL DEBENTURES

Following is a list of the Underwriters of the above issue, the principal amount of debentures underwritten by each and the total purchase price paid to the Company at 99½, plus accrued interest from June 1, 1939, to June 27, 1939:

Underwriter	Principal amount	Cost	Grand total
Harris, Hall & Co. (Inc.).....	\$410,000	\$408,999.71	\$2,384,416.37
Central Republic Company.....	310,000	309,243.68	1,790,806.18
Halsey, Stuart & Co., Inc.....	310,000	309,243.68	1,790,806.18
Bonbright & Co., Inc.....	205,000	204,499.86	1,192,208.19
H. M. Bylesby & Co., Inc.....	205,000	204,499.86	1,192,208.19
Kidder, Peabody & Co.....	205,000	204,499.86	1,192,208.19
E. H. Rollins & Sons, Inc.....	205,000	204,499.86	1,192,208.19
A. G. Becker & Co., Inc.....	140,000	139,658.44	831,054.27
Glore, Forgan & Co.....	140,000	139,658.44	831,054.27
Lee Higginson Corp.....	140,000	139,658.44	831,054.27
Stone & Webster and Blodget, Inc.....	140,000	139,658.44	831,054.27
Coffin & Burr, Inc.....	100,000	99,756.03	693,610.20
F. S. Moseley & Co.....	100,000	99,756.03	693,610.20
Whiting, Weeks & Stubbs, Inc.....	90,000	89,780.42	634,249.17
The Illinois Co. of Chicago.....	80,000	79,804.82	474,888.15
The Wisconsin Company.....	80,000	79,804.82	474,888.15
Bodell & Co.....	60,000	59,853.62	356,160.12
Starkweather & Co.....	50,000	49,878.01	296,805.14
Granbery, Marache & Lord.....	30,000	29,926.81	178,083.06
	\$3,000,000	\$2,992,680.83	\$17,561,378.76

EXHIBIT No. 1640-24

[From the files of Harris, Hall & Company]

MAY 23, 1936.

WISCONSIN POWER & LIGHT COMPANY

The proposed financing is to take the form of \$32,000,000 in first mortgage 4% bonds and \$3,700,000 in 1 to 10 year notes.

We had a meeting this morning in Mr. Glore's office attended by Mr. Schrader and Mr. Hough of Halsey, Stuart & Company, Mr. Stern of A. G. Becker & Company, and myself. After some discussion it was tentatively arranged that the underwriting syndicate would be made up substantially as follows.

Field, Glore & Co.	\$3,750,000
Harris, Hall & Company	3,750,000
Halsey, Stuart & Co.	3,750,000
A. G. Becker & Co.	3,750,000
Bonbright & Company	2,500,000
Brown Harriman & Co., Inc.	2,500,000
First Boston Corporation	2,000,000
Securities Co. of Milwaukee	1,500,000
Blyth & Co., Inc.	1,000,000
Lazard Freres & Co., Inc.	1,000,000
E. H. Rollins & Sons	1,000,000
Lee Higginson Corporation	1,000,000
A. C. Allyn & Co.	800,000
Central Republic Co.	650,000
Lawrence Stern & Co.	650,000
Stone & Webster and Blodget	650,000
Paine, Webber & Co.	500,000
Tucker, Anthony & Co.	500,000
Bacon, Whipple & Co.	250,000
Blair, Bonner & Company	250,000
Illinois Co. of Chicago	250,000

The notes would be underwritten by the same people in the same percentages.

Mr. Glore said that he was going to charge the syndicate a fee of \$50,000 for the work of his firm in managing the account in both bonds and notes. This amounts to about \$1.40 a thousand on the total financing. This was discussed, but not agreed to. Halsey's people thought Mr. Stuart would object. Mr. Glore said that if they were going to object and talk to Ned Brown or anyone else about it, he wished they would do it immediately because if this is not agreed to he wants to take a little larger amount of bonds than the rest of us. I expressed the view that I thought his firm was entitled to something for management and that it was a question of a reasonable amount.

EDWARD B. HALL.
Initialed (EBH)

EBH-IMN

EXHIBIT No. 1640-25

[From the files of Harris, Hall & Company. Letter from L. V. Bower to Isaac B. Smith]

JANUARY 18, 1936.

MR. ISAAC B. SMITH,

*President, Iowa Electric Light and Power Company,
Cedar Rapids, Iowa.*

DEAR ISAAC B.: Referring to the brief discussion we had at our Directors' Meeting Thursday on the possibility of refunding the Company's outstanding 5's of 1946, and readjusting the terms of its unsecured note issue, I have the following ideas which I am submitting in duplicate to you, Sud Dows and Carl Myers.

First, I suggest that we go to the twelve holders of the Company's 4¼% bonds and secure their consent as relating to the bonds of this series to eliminating from the mortgage of 1925 the restriction on maturity of bonds under that mortgage to twenty years. I think this can be done easily, particularly if as a quid pro quo we can offer to register the 4¼% bonds.

I suggest we refund the \$3,600,000 5's of 1948 with \$3,500,000 4's to net the Company par.

Third, I suggest the supplemental indenture under which the 4's are issued, accept the modification of the indenture as to the twenty year restriction referred to above.

Fourth, I suggest that the new bonds be sold as twenty-five year bonds which will, however, be twenty year bonds unless the modification of the indenture relating to maturity is modified by holders of all the bonds issued thereunder. In other words, the new 4's would become twenty-five year bonds when the 7's of 1942 are paid. This is tricky and may not be feasible, but I am sure it is feasible to get the indenture modified as far as the holders of the 4's (hand written: and 4¼'s) are concerned, so that the least we can do will be to eliminate the twenty year restriction in 1942.

Fifth, I suggest that we register an issue of \$1,440,000 3¾ unsecured notes maturing \$60,000. quarterly over the next six years. The notes should net the Company at least par, and would eliminate the current asset—current liability restriction which is now so burdensome to the Company.

The proceeds of the \$1,440,000 new notes would be used to repay the bank loan in the amount of \$1,175,000 as of March 1st, take up \$100,000. of the mortgage debt, and leave \$165,000. for corporate purposes.

In favor of these suggestions I may mention the fact that the greatest benefit conferred on the Company would, of course, be the saving of \$40,000. a year in mortgage bond interest. Of next importance I would think possibly the easing up of the present debt reduction program might be mentioned. I am particularly proud of the idea that this is the time to go after the elimination of the twenty year maturity restriction in the mortgage.

The Company's present high credit is due partially to the well founded notion which has gone abroad that this Company is engaged in reducing its debt. I think this idea can be furthered by refunding \$3,600,000 mortgage 5's with \$3,500,000 mortgage 4's, and the throwing of this \$100,000. into unsecured debt to be paid off is offset by expanding the pay-off period over the next six years.

I would be glad to have you gentlemen consider these proposals, and if you feel there is merit in them I think no time should be lost in advising auditors and counsel that a registration is contemplated because it will take a considerable period of time to whip all the necessary information into shape.

Very truly yours,

L. V. B.

LVB:CW

EXHIBIT No. 1640-26

[From the files of Harris, Hall & Company. Letter from L. V. Bower to Isaac B. Smith]

HARRIS, HALL & COMPANY, INCORPORATED

111 West Monroe Street. Telephone Randolph 5422

CHICAGO, February 4, 1936.

MR. ISAAC B. SMITH,

President, Iowa Electric Light and Power Company,

Cedar Rapids, Iowa.

DEAR ISAAC B. : I sat in at a meeting of the Senior Loan Committee at the Harris Trust and Savings Bank yesterday during the period they gave consideration to the request we made by letter to amend the present agreement so as at no time to require the inclusion in current liabilities of the Company more than the next succeeding quarterly instalment of principal.

There was some discussion on the part of some members of the Committee to minimize the importance of this restriction to the Company, and I took occasion to make it clear that the Company regarded the matter of such sufficient importance, to be prepared to pay off the loan with the proceeds of a publicly offered note issue, if the banks would not agree.

It was finally the consensus of the meeting that the modification asked for was not material as affecting the soundness of the loan and was agreed that subject to being satisfied with budgetary figures through the end of the present year, the Harris Trust and Savings Bank would recommend to the other two participating banks that the modification sought be granted.

Will you please have Carl Myers send to Mr. John Broeksmit, Vice President of the Harris Trust and Savings Bank, our budget figures of cash income and outgo through to the end of the present year.

With respect to the additional funds that might be required if we refund the outstanding 5% bonds due 1916, it was the consensus of the meeting that such additional borrowing as may be required should be lumped as a maturity three months after the last maturity of the present loan; should become subject to the same conditions covering the present loan, and should be offered first to the banks participating in the present loan.

I think this matter is in excellent shape at this time, and if the budget figures can be in Mr. Broeksmit's hands not later than Friday, he can take the matter up with the Chase Bank next week when he expects to be in New York.

Very truly yours,

Vice President.

LVB: CW.

EXHIBIT No. 1640-27

[From the files of Harris, Hall & Company. Letter from L. V. Bower to Isaac B. Smith]

FEBRUARY 22, 1936.

MR. ISAAC B. SMITH,

*President, Iowa Electric Light & Power Company,
Cedar Rapids, Iowa.*

DEAR ISAAC B, The enclosed letters are self-explanatory. I spent most of yesterday morning in conference at the Bank relative to the Light Company's bank loan. The Chase have not shown any particularly cooperative disposition and I, unfortunately, got a little sore and said we were getting a trifle fed up on the way the matter was being handled when we were simply trying to do the Bank a favor as both the Company and Harris, Hall & Company could make a little money by paying the Bank loan and selling a note issue. After a few sharp words which were to be regretted, this position eventually had the desired result and the Bank down-stairs authorized me to say—

(1) That the Company can consider that the bank loan agreement will be modified as requested;

(2) That no definite undertaking on the part of either party is entered into with respect to such additional borrowing as may be needed in connection with the present refunding, but that if the Company should ask the present Banks to provide these additional funds, it is probable that the present Banks will ask that such funds be borrowed as an additional maturity under the loan agreement at the rate of the last present maturity, namely, $4\frac{1}{2}\%$.

I have taken the position that we can borrow this money elsewhere for $3\frac{1}{4}\%$ to $3\frac{3}{4}\%$, which aroused some further debate without settling anything and in my opinion we should either provide these additional funds out of our current assets or endeavor to borrow them elsewhere at a low rate if possible.

The elimination of the Northwestern Light & Power \$50,000 obligation from current liabilities would provide half the leaway necessary to take the funds required out of current assets.

Very truly yours,

L. V. B.

LVB: IB

EXHIBIT No. 1640-28

[From the files of Harris, Hall & Company. Letter from G. B. Heywood to Duncan R. Linsley]

MARCH 4, 1936.

MR. DUNCAN R. LINSLEY,

*The First Boston Corporation,
100 Broadway, New York City, N. Y.*

DEAR DUNC: I am enclosing herewith the following documents with regard to the proposed financing we had under discussion with you:

- (a) One copy of the Registration Statement on Iowa Electric Company;
- (b) Two copies of the Prospectus on Iowa Electric Company;

(c) One copy of the Registration Statement on Iowa Electric Light and Power Company;

(d) Two copies of the Prospectus on Iowa Electric Light and Power Company.

The Registration Statement and Prospectus on Iowa Electric Company, enclosed herewith, are as to be filed in Washington tomorrow. The Iowa Electric Light and Power Company Registration Statement and Prospectus will be filed in Washington on Friday. In order to get the necessary signatures of the Company officials in Cedar Rapids, the Iowa Electric Light and Power Company Registration Statement will probably be filed in the form as per the enclosed copy, but there may be a few further changes made in ink before filing. We have made a few further changes in the Prospectus, which have gone to the printer, but I doubt if a new proof will be back in time to be sent to you in the air mail tonight.

As I told you over the phone today, we have not discussed this business with anyone else and do not want to do so until we have heard whether or not you are interested in the business. On the other hand, we feel that we should say something rather promptly to the other people who have had past historical positions in both pieces of financing at the earliest date possible, before any publicity has reached them in regard to the filing of Registration Statements, so that they will know that we have had them in mind before any of them come back at us.

I need not tell you, of course, that we would like nothing better than to have you as our principal partners on an equal basis with us in both accounts, and hope that you can let us hear further from you as early Thursday morning as possible.

Sincerely yours,

G. B. H.,
Vice-President.

GBH:EW
Encl.

EXHIBIT No. 1640-29

[From the files of Harris, Hall & Company]

MARCH 9, 1936.

Mr. HARRY M. ADDINSELL,
The First Boston Corporation,
100 Broadway, New York, N. Y.

DEAR HARRY: Our underwriting group for the \$3,600,000 Iowa Electric Light & Power Company First Mortgage Iss, and \$1,250,000 one to five year notes, is now pretty well organized, subject to the usual conditions, and the respective interests are as follows:

	Bonds	Notes
Harris, Hall & Co.	\$1,325,000	\$460,000
First Boston Corporation	1,325,000	460,000
Brown Harriman & Co	400,000	140,000
Coffin & Burr	300,000	104,000
F. S. Moseley & Co	250,000	86,000

Apparently the public offering of the Notes will not amount to anything, and I don't see any necessity for mentioning the Note Issue in the advertising unless it seems best to do so as a matter of record. It is expected that the Notes will all be sold by us for syndicate account, and the arrangements with the Company are such that if these notes are all taken by the banks that have the loan, to be paid off from the proceeds, there will be only a nominal profit to the underwriters in that part of the business.

With respect to the Mortgage Bonds, our present idea is to advertise them in a couple of papers each in New York and Chicago, and perhaps in the

Wall Street Journal, including the Pacific Coast edition, over the names of all of the underwriting group arranged as follows.

Harris, Hall & Company
(Incorporated)

The First Boston Corporation

Brown Harriman & Co., Inc.

Coffin & Burr, Inc.

F. S. Moseley & Co.

The gross margin of profit in the bonds is to be 2½% and we contemplate asking the other underwriters to allow us a quarter of 1% for originating the business and managing the account.

EXHIBIT No. 1640-30

[From the files of Harris, Hall & Company. Letter from L. V. Bower to Fred Poor]

SEPTEMBER 30, 1936.

Mr. FRED POOR,

Poor and Company, 80 East Jackson Boulevard, Chicago, Illinois.

DEAR MR. POOR, Mr. Boatner and I continued our discussion of the railway business for some little time after you left us at the Chicago Club today, and I am much indebted to you for the privilege of meeting Mr. Boatner under such pleasant circumstances.

It would be a great pleasure to employ Mr. Boatner to represent us in making a brief memorandum report on the business of Poor and Company in connection with the business which we still hopefully look forward to doing for your Company. In fact, I was tempted to engage him on the spot this noon on the theory that would be unthinkable for you to use the services of other investment bankers.

With kind regards,

Very truly yours,

L. V. B.

EXHIBIT No. 1640-31

[From the files of Harris, Hall & Company]

OCTOBER 21, 1936.

Mr. LAHMAN V. BOWER:

POOR & COMPANY

Phil Moore telephoned this morning and spoke to me when he learned you were absent. He reported, and I had the same word from John Brooksmit, that the stand-by arrangement has been signed and immediate steps are being taken to call the outstanding bonds of Poor & Company. Phil said that he wished we would do anything we could to push along the legal work. He said he had spoken to his lawyers about it and thought it might be a good thing for us to say something to our counsel.

Accordingly, I telephoned John Dern to tell him that the stand-by arrangement had been made and that we were all anxious to have the work go forward as expeditiously as possible.

Very truly yours,

E. B. H.

Edward B. Hall
IMN

EXHIBIT No. 1640-32

[From the files of Harris, Hall & Company. Letter from L. V. Bower to Frank Fratcher]

JANUARY 20, 1936.

Mr. Frank Fratcher,
Dows Building,
Cedar Rapids, Iowa.

DEAR FRANK: I am writing to say that if there is any merit in the thought that Iowa Electric Company can do a general refinancing job this spring, and

the first call has to be issued March 15th, then there is really very little time to spare in the preparation of all the material that has to go into a registration statement.

This is just a gentle jog for the purpose of urging you to forward in here the papers on the Eastern Iowa Electric Company matter, because unless handled promptly this phase of the thing may provide the delays to make impossible the kind of a job we are thinking about.

Very truly yours,

L. V. B.

LVB: CW

EXHIBIT No. 1640-33

[From the files of Harris, Hall & Company. Letter from L. V. Bower to Frank Fratcher]

FEBRUARY 4, 1936.

Mr. FRANK FRATCHER,
*C/o Iowa Electric Company,
Dows Building, Cedar Rapids, Iowa.*

DEAR FRANK: I sense from our talk on the phone this morning that you would probably be best pleased to discuss the possibility of an arrangement to purchase Iowa Electric Company Convertible 6s early next week, when you may have the opportunity to discuss the matter with Senator Reed, and upon thinking over the matter, I am of the opinion it would be better for us to reach some kind of an arrangement when we can be together to discuss it, than to try to set down the terms of any proposition in a letter.

I suggest, however, that in order that no time may be lost, you might wish to call Gene Heywood on the phone and give him an order to buy up to 50 bonds at current market prices, say not to exceed 103. This would take care of all the bonds that would normally come into the market over the next few days without committing you for an amount which you would find it difficult to take care of if you decided not to try to do the job on a larger scale after talking with us and with Senator Reed.

I hope to see you here not later than Monday of next week.

With kind regards,

Very truly yours,

L. V. B., *Vice President.*

LVB: EW

EXHIBIT No. 1640-34

[From the files of Harris, Hall & Company. Letter from L. V. Bower to Scott McIntyre]

FEBRUARY 14, 1936.

Mr. SCOTT MCINTYRE,
*Scott McIntyre & Company,
Second Avenue at Third Street, Cedar Rapids, Iowa.*

DEAR SIR: I have your letter of February 22 relating to the Iowa Electric Company, and wish to say that while it is true that to our knowledge the Company has given consideration to a refunding operation, there remain many obstacles in the way of consummating the business. These have to do with balance sheet charges, certain matters of public relations, and other factors which make consideration of any refunding operation more involved than the mere replacement of one issue of bonds with another issue.

We are studying this situation with the Company but neither of us is committed to a program at this time.

I am pleased to have your letter and to know of your interest in the business if it should develop.

Very truly yours,

L. V. B., *Vice President.*

LVB: IB

EXHIBIT No. 1640-35

[From the files of Harris, Hall & Company. Letter from L. V. Bower to Frank A. Fratcher]

FEBRUARY 24, 1936.

Mr. FRANK A. FRATCHER,

Dows Building, Cedar Rapids, Iowa.

DEAR FRANK: Enclosed is a letter I received today from Scott McIntyre, together with my answer to it. I am also enclosing a memo of bonds purchased to date and their cost. We had some of these bonds prior to the time of active consideration of any refunding, just as we also had bonds of the Central States Electric Company and a small dab of Northwestern Light & Power Company bonds. I think it would be fair for us to turn any bonds you had prior to February 1 over to the Company at prices as of February 1.

As you will note, we are beginning to accumulate a larger block of these bonds than we should without some kind of commitment on the part of the Company to protect us if no refunding should come about and the market should break.

How would you feel about writing us a letter asking us to buy for your account bonds of the Iowa Electric Company at not to exceed the prevailing call prices and without further authorization, not to exceed an aggregate amount of \$300,000. Such a letter should, I believe, contain an agreement on the part of the Company to make payment for such bonds on or about April 1, 1936.

You will note that while the savings on this operation do not run into many thousands of dollars, they do nevertheless aggregate an amount which it is quite well worthwhile for the Company to save, and they reduce proportionately our costs in connection with this financing.

Very truly yours,

L. V. B.

LVB:IR

EXHIBIT No. 1640-36

[From the files of Harris, Hall & Company. Letter from L. V. Bower to Frank A. Fratcher]

FEBRUARY 25, 1936.

Mr. FRANK A. FRATCHER,

Dows Building, Cedar Rapids, Iowa.

DEAR FRANK, Referring just briefly to your telephone conversation of today, I want to say to you that from the moment it becomes generally known that the Iowa Electric Company contemplates some financing you will be besieged by investment bankers from all over the country, each of whom has some reason through blood relationship or blood spilled for the sake of the Company, why he should have a greater or lesser interest in the underwriting. We know this is true because we have been through it a couple of times in our short existence in the position of a principal underwriter, and have on many more occasions pulled every string we know how to pull to try to wedge in to business where others have been the principal underwriters.

From this experience, our advice to you is to say (when the market operation is over) that the formation of this account is entirely in the hands of Harris, Hall & Company. This means these people will flock in to us and, very frankly, our answer will probably be that the formation of the account is entirely in the hands of the Company. This sends them back to you and you stick to your original story and by that time all but the most persistent ones have dropped by the wayside and it is then possible to form the account on the basis of who will do the most good for the success of the issue which is, after all, the major consideration in the whole proposition. I don't mind saying, even at this early date, that in my humble opinion, if it should prove to be possible to run the Iowa Electric business over the names of two or

three widely and favorably known organizations (modesty makes me blush) this will have a whole lot more influence toward your getting the best price possible than if the account is littered with the names of entirely reputable but small and local firms.

As I said to you over the telephone, this whole matter is something we can sit down to leisurely and discuss.

With kind regards,

Very truly yours,

LVB:IB

EXHIBIT No. 1640-37

[From the files of Harris, Hall & Company]

IOWA ELECTRIC COMPANY

GENERAL OFFICE

CEDAR RAPIDS, IOWA, *February 29, 1936*

MR. LAHMAN V. BOWER,

111 W. Monroe Street, Chicago, Ill.

DEAR LAHMAN: Several things have prevented my replying earlier to your letter of February 24th relating to the bonds which you have acquired for the account of this company. Naturally we will be very glad to take over all of the bonds which you have on hand now, including those which we will take over on a February first basis as you suggested.

We would also like to have you continue to secure, for our account, bonds of the company at not to exceed prevailing call prices and in an aggregate amount not exceeding \$300,000. We will make payment for any such bonds so obtained on or about April 1st, 1936. Of course, if the proposed refunding is not consummated as now planned, it will be necessary for us to make some temporary arrangements in connection with the taking up of the bonds. There should be no difficulty about that and undoubtedly some arrangement can be worked out to meet the requirements of both you and ourselves.

I am returning the letter from Scott McIntyre which you sent me.

Very truly yours,

F. A. FRATCHER.

FAFratcher/b

EXHIBIT No. 1640-38

[From the files of Harris, Hall & Company. Letter from H. M. Addinsell to Edward B. Hall]

H. M. ADDINSELL,

Chairman Executive Committee.

THE FIRST BOSTON CORPORATION,

One Hundred Broadway, New York, March 5th, 1936.

EDWARD B. HALL, ESQ.,

Harris Hall & Company, 111 West Munroe Street, Chicago, Illinois.

DEAR EDDIE: I don't want you to think that we were either unappreciative or (to use the current slang of the day) high hat about the Iowa Electric business. All of us did really appreciate very much your inviting us and we think you have a fine set up and sound security of the two classes to be created. When we got down to price talks, however, and discussed the matter with the good old Sales Department, we found that for the securities to be created on this size company we could get practically no encouragement from them.

As you know, our business is so largely with institutions and professional buyers of one sort or another in what might perhaps be regarded as more general market securities that we were just plain afraid we could not be of very much help on distribution on this particular issue.

Again thanking you and hoping to see you again before long, I am

Yours sincerely,

HARRY.

EXHIBIT No. 1640-39

[From the files of Harris, Hall & Company]

DECEMBER 4, 1935.

MR. JOHN E. BARBER,
*Vice-President, Middle West Corporation,
20 East Wacker Drive, Chicago, Illinois.*

DEAR JOHN: I am writing you to say that the firm of Harris, Hall & Company is actively engaged in business, having joined in underwriting several old Harris utility issues and having up for consideration several originations of our own.

You know, I think, that we have succeeded to the corporation bond business of the Harris Trust and Savings Bank. Under the Banking Act of 1933, the Bank can no longer perform its longstanding function as investment banker for a large group of corporations, many of them utilities. We have thought that the passing of the Harris Trust and Savings Bank out of this field in Chicago, left a gap and we are going to attempt, with due modesty, but with lots of confidence, to fill this gap. We think we have fallen heir to a unique position in the middle west, and are anxious to bring before your Company our facilities for serving you.

I know that you must have your hands full just now with matters pertaining to the recent reorganization of your Company and I feel sure you would not welcome any effort to discuss banking matters at this time. I do not, however, want to fail to tell you that, from such information as we have, it appears to us that several refunding operations are worth careful consideration in the Middle West system. One of these is in connection with the Public Service Company of Oklahoma. So when, as, and if the proper time comes to discuss these matters—and particularly the Oklahoma situation—I trust we may have the opportunity to sit in on such discussions with the hope that we may act as underwriter for some of your Companies. A word from you to the effect that the door is open for consideration of these matters will bring us to your office.

With kind regards.

Very truly yours,

E. B. H.,
President.

Edward B. Hall.
EV.

EXHIBIT No. 1640-40

[From the files of Harris, Hall & Company]

THE MIDDLE WEST CORPORATION,
20 North Wacker Drive, Chicago, Illinois, December 5, 1935.

MR. EDWARD B. HALL,
*President, Harris, Hall & Company,
111 West Monroe Street, Chicago, Illinois.*

DEAR EDDIE: Thank you for your letter of December 4th, expressing your interest in the possible refunding of the outstanding bonds of the Public Service Company of Oklahoma.

It is not practicable at this time to discuss even tentative arrangements for underwriting any possible financing of Public Service Company of Oklahoma. However, I have discussed your letter with Mr. Green, President of The Middle West Corporation, and he has asked me to express his own appreciation also of the offer of your facilities.

Sincerely,

JOHN E. BARBER,
Vice President.

EXHIBIT No. 1640-41

{From the files of Harris, Hall & Company}

DECEMBER 27, 1935.

Mr. WALTER J. CUMMINGS,

*Chairman, Continental Illinois National Bank & Trust Co.,
208 South La Salle Street, Chicago, Illinois.*

DEAR MR. CUMMINGS: We have indicated to the management of the Middle West Corporation the fact that we believe a constructive job of financing can be done for the Oklahoma properties and we understand that such a matter is under consideration. We should, of course, greatly appreciate the opportunity of working with the Company on this piece of business and to the extent that you feel you might consistently do so, we should appreciate anything you may care to say that would give the firm a boost.

If the business took one form (which we should at least like to suggest for the Company's consideration) it appears that some short term paper would be forthcoming that, in our opinion, would make a very desirable bank investment.

Very truly yours,

L. V. B.

L. V. Bower
EV

EXHIBIT No. 1640-42

{From the files of Harris, Hall & Company}

JANUARY 22, 1936.

Mr. CHARLES F. GLORE,

*Field, Glore & Co.,
123 South La Salle Street, Chicago, Illinois.*

DEAR CHARLIE: I am leaving for New York this afternoon and apparently shall not be able to reach you by telephone before I go. I wanted to tell you how we feel about the suggestion you made that Field, Glore & Company should take a management fee of one-quarter of one percent of the whole amount in the Public Service Company of Oklahoma deal.

As you know, I was opposed to the idea when it was first brought up and after thinking it over as you suggested, we in this office feel that such a charge would not be at all appropriate in all of the circumstances attending this piece of business.

If you make some figures, assuming a normal profit on the deal, you will find that a fee of one-quarter on the whole amount would substantially exceed the gross profit to be realized on the deal by any one of the major participants. Expressed another way, such an arrangement would give Field, Glore & Company more than twice the amount of profit accruing to any one of the other six major participants, and that would not conform to the arrangement that the six houses were to have equal interests.

If the quarter were to be divided among the six there could be no serious objection on the part of any one of us, but that would mean such a small amount to each that it would seem to us very much better to handle the business without any management fee at all.

We realize that as head of the account your firm will carry something of a burden, but any one of us would be very happy to assume that burden for the privilege of appearing in first position.

For these reasons we want to register our vote against such an arrangement. I am very sorry not to have had a chance to talk with you about this before leaving and am writing you about it simply in order that you may know how we feel in case the matter comes up for consideration before I get back.

Yours very truly,

President.Edward B. Hall
IMN

EXHIBIT No. 1640-43

[From the files of Harris, Hall & Company]

FIELD, GLORE & Co.

CHICAGO

NEW YORK

123 SOUTH LA SALLE STREET,
CHICAGO, January 23, 1936.Mr. EDWARD B. HALL,
Harris, Hall & Company, Chicago, Illinois.

DEAR ED: I have just received your letter of January 22. As I stated at our meeting here the day before yesterday, if there was any decided feeling against our charging the Public Service Company of Oklahoma account a management fee, the matter would be dropped.

Apparently you feel quite strongly about it, so I don't see that there is any need for further consideration of the matter. I don't agree with your conclusion, but that is neither here nor there. I do agree with you that to divide a management fee among six houses would probably be a mistake.

Very truly yours,

C. F. GLORE.

CFG/M

EXHIBIT No. 1640-44

[From the files of Harris, Hall & Company]

HARRIS, HALL & COMPANY, INCORPORATED

111 West Monroe Street. Telephone Randolph 5422

CHICAGO, February 6, 1936.

Memorandum for Mr. Gene Heywood.

Mr. Glore advised that the underwriting syndicate for \$16,000,000 Public Service Company of Oklahoma 4s, is now made up as follows:

Six Principals—\$2,100,000 each	\$12, 600, 000
First Boston Corporation	1, 000, 000
Tucker, Anthony & Company	600, 000
Lee Higginson Corporation	550, 000
Stone & Webster and Blodget	250, 000
Central Republic Company	250, 000
Lawrence Stern & Company	250, 000
Bacon, Whipple & Company	100, 000
Blair, Bonner & Company	100, 000
Sills, Troxell & Minton	100, 000
Illinois Company of Chicago	100, 000
A. C. Allyn and Company	100, 000

Total..... \$16, 000, 000

H. M. Bylesby & Company were offered an interest of \$250,000, which they declined, principally for the reason apparently that they could not appear in the advertising.

It is planned that the issue will be advertised over the names of the 4 Chicago principals, namely,

Field, Glore & Company
Halsey Stuart & Company
A. G. Becker & Company
Harris, Hall & Company

Yours very truly,

E. B. H.

Edward B. Hall
IMN

EXHIBIT No. 1640-45

[From the files of Harris, Hall & Company]

JUNE 23, 1939.

CENTRAL ILLINOIS ELECTRIC AND GAS Co.,
303 North Main Street, Rockford, Illinois.

DEAR SIR: This is to advise you that a public offering of the First Mortgage Bonds 3¾ Series due 1964 and the 3%-3½%-4% Serial Debentures of Central Illinois Electric and Gas Co., purchased pursuant to the Underwriting Agreement dated June 17, 1939, was made by us on June 20, 1939 and that the Bonds were initially offered at 100.50% of the principal amount thereof plus accrued interest from June 1, 1939 to the date of delivery and the Debentures were initially offered at various prices depending upon the maturity thereof, as specifically set forth on page 27 of the prospectus relating thereto, dated June 20, 1939.

We understand that all of the other Underwriters named in said Underwriting Agreement made a public offering of their Bonds and Debentures on June 20, 1939 at the above-mentioned offering prices.

Yours very truly,

HARRIS, HALL & COMPANY (INCORPORATED),
As Representative of the Several Underwriters.
By NORMAN W. HARRIS, *Vice President.*

"EXHIBIT No. 1641" introduced on p. 11550 was marked for identification only.

EXHIBIT No. 1642

[From the files of Blyth & Co., Inc., Letter from C. E. Mitchell to Charles R. Blyth]

JULY 31, 1935.

Confidential.

DEAR CHARLEY: I am satisfied as a result of my talk with Whitney this afternoon that the Morgan-people will shortly be back in the investment banking business, possibly within the next fortnight and certainly by the first of September. I think they are waiting at the moment to see if the underwriting amendment in the banking bill will pass, and regarding this they are more optimistic than they have been. If it does not pass I am sure they are prepared to act in another direction, my guess being that they will set up Drexel & Company as an investment banking house, leaving J. P. Morgan & Company in the commercial banking business.

I have a feeling that their re-entry in one form or another will be to our benefit, as they will be constructive in leadership and I am sure will count us as close allies. The only lingering doubt that I have regarding our position in their groups lies in the fact that historically they have what you and I would probably consider an undue respect for capital and are inclined to use that yard-stick in their line-ups to far too great a degree.

I am sure that they are already laying out fall business in volume and that this will include a substantial amount of Telephone business and, I regret to say, Consolidated Gas business.

Sincerely,

Mr. CHARLES R. BLYTH,
San Francisco Office.

EXHIBIT No. 1643

[From the files of Blyth & Co., Inc. Letter from Charles R. Blyth to Charles E. Mitchell]

For interoffice use only

NEW YORK
CHICAGO
BOSTON
PHILADELPHIA
ATLANTASAN FRANCISCO
LOS ANGELES
SEATTLE
PORTLAND, OREG.
LONDON

BLYTH & Co., INC.

120 Broadway

Cable address: BLYTHCO

NEW YORK

SAN FRANCISCO, CALIF., August 2, 1935.

MR. CHARLES E. MITCHELL,
New York Office.

DEAR CHARLES: This, I am sure, is the last letter I shall write you for a while at least, because very soon Joe Ripley and I will start for the Grove and from there I go to Lake Tahoe.

I have just read your letters of July 31st and have acknowledged the message which Tom McCarter conveyed in his letter to you. It is too bad this deal didn't work out, but the best fisherman in the world cannot catch all the fish.

I'm not particularly concerned that J. P. Morgan & Co. are going to return to the Investment Banking business—it was inevitable. Our main job is to get under the covers and as close to them as is possible. While I recognize the eloquence of adequate capital, I also am a believer in the efficacy of strong personal relationships. That you have such with the Morgan institution, is a certainty.

I wonder if we would not make our weather eye function better if we were to open an account with J. P. Morgan & Co.—whether or not that organization or the Drexel organization are to be active in Investment Banking. I should think our cash capital must be at the moment, or very shortly will be, \$3,000,000 or more and if it seemed desirable to have an account with Morgan we ought to be able easily to maintain a balance of \$400,000 or \$500,000, which, in their way of looking at things isn't of much importance, but it is a very definite evidence of our desire and ability to cooperate to some extent.

My feeling is that our capital should be of course concentrated in New York, but second and third should come San Francisco and Chicago. I think we are carrying a little more than is necessary in the Northwest and in Los Angeles, both of which places are of no use when it comes to getting credit, because their rates are much higher than we need to pay. Our only need for them is in connection with small local transactions and a nominal balance only should be enough for that. In San Francisco we can get money quite cheap, although not as cheaply as in New York, but our tie-ins here are so numerous that we need to maintain our bank relationships on a satisfactory basis.

Of course Morgan & Co. will naturally fall heir to some of the bigger utility accounts, but that doesn't mean they won't recognize us in a substantial way—certainly in distribution and probably also in underwriting.

Best always,

CHARLEY.

CRB.
H.

EXHIBIT No. 1644

[From the files of Blyth & Co., Inc. Letter from C. E. Mitchell to C. R. Blyth]

SEPTEMBER 26, 1935.

DEAR CHARLEY: Harold Stanley, of the new firm of Morgan, Stanley & Company, asked me to lunch with him yesterday and we had an hour and a half's discussion, the main points of which I am sure you will find of interest.

He opened the conversation by saying that he wanted to get the bad news off his chest first and he was doing that not only because of our relations, but because George Whitney, who had to leave town the night before for several days, asked him particularly to see me and explain the situation. The bad news was that we were not going to be in the underwriting of the Bell Telephone of Illinois. To make a long story short, they found that if they were to go beyond the very short underwriting list that they have, and are bound to more or less by past relations to the business, to a point of including us, they would necessarily have to include four or five firms more. For this reason, and the added reason that they are eliminating completely four houses who have heretofore been connected with that business, they felt that they were under the necessity of not including our name. He assured me at the same time that this would not in any sense be considered a telephone group, that they intended to consider each individual business separately, and as an illustration indicated that if they were to do a piece of Pacific Telephone business, they would certainly see that we were in a strong position in the underwriting. He then went over the Consumers Power underwriting list and the Dayton Power and Light list in detail, and showed me how impossible their situation was there, as far as the inclusion of our name.

He added that not having our name on these first three pieces of business that they are going to do is a real embarrassment to them, as they recognized it must be to me, because they are very anxious indeed to give public evidence to the close relationship that they have always had with me, and continue to feel. He said that he could assure me in every way that there would never be an issue where our name as a possible underwriter would be forgotten, and that we could rely upon their including us in every piece of business where there was an opportunity to do so. He was good enough to say that he considered that there was no one on the Street with whom he had had as close relations in the issuance business over a long period than myself, or whom he considered, by reason of talking the same language, could be more helpful than I could.

He asked me for my advice regarding their taking underwriting positions in the issues of others, their name to be eliminated from public advertising, the firm not having to date developed a policy on this point. I urged him to do it, and the next sizable issue that comes along I want to give them an opportunity of accepting such a position with us.

Stanley's views on the issue business by the way, are that originating houses are entitled to a bigger over-ride than they are now taking and that the percentage of spread given to the wholesaling group for retailing is larger than justified by the existing practices, which in reality call upon the wholesaling group for no real commitment. His firm are going to follow the practice on their own issues of calling upon the underwriters to give them as managers full authority to wholesale the entire issue, then to make up a wholesaling group on the basis purely of distributing power, advising the underwriting houses along with others of the wholesaling group on the day of offering, the amount of bonds which they will have for retail. The wholesaling group will be given a day and a half in which to accept all or any part of the bonds allotted, the original underwriters thus becoming the guarantors, so to speak, of the performance of the wholesale group as it is determined by the managers.

He assured me that we would have full consideration in the allotment of bonds in the wholesale grouping of all issues. I told him quite a little of our distributing power and gave him our records on a number of issues both as to primary and secondary distribution, and I felt that he was duly impressed. He asked me to see to it that other members of his firm who would have the wholesaling list to determine be thoroughly advised as to our ability to distribute, and George Leib is going to contact the proper partners on the matter within the next few days.

Stanley was particularly interested in what our policy might be with regard to the distribution of preferred or common stocks. I told him the name of a

security meant little to me as I could name many preferreds that were better than bonds, and many commons that were better than preferreds, and I felt that our policy would be to handle any security that was prime in the category in which it was placed. I told him that we were now looking into a prime public utility common stock with the idea of developing a syndicate for national distribution and he expressed the hope that we would find conditions right to go ahead with this kind of business, and indicated that with the probable necessity of breaking up stock holdings of some of the public utility holding corporations that they had to do with, they would be glad to see such a house as ours to whom they could turn.

Incidentally, speaking of public utilities he voluntarily remarked that while he did not want to be committed, he would personally consider that my contact with Consolidated Gas and its subsidiaries in past years would justify the expectation that Blyth & Co. would be in the second underwriting position in that business as it developed, and he thought he would want to be talking to me about future financing for that Company within the next ten days. I judge this would be on business likely to develop before the end of the year.

Though I am not altogether happy about these first issues of Morgan Stanley, I am completely reassured by my talk with Stanley and am certain that our future relations are going to be always close and on the whole of a most satisfactory character.

When I came back from luncheon I found Ford with George and brought them both in to give them at first hand a synopsis of my talk and my impressions. When he gets back to the Coast, Ford may tell you something more than I have remembered in this somewhat hurried note.

I presume you will see from the press that Anacouda went into registration yesterday, which means that the public offering is scheduled for October 15th.

Tuesday I got together a group to consider the Revere Brass & Copper business, consisting of E. B. Smith, Brown Harriman, The First Boston Corp., Hayden Stone and Kuhn Loeb, and we had a meeting in the office yesterday on the subject of that financing. Without being too strong on the matter of price, we are going to proceed to have the registration completed, which will incidentally involve a new audit. I doubt if the issue can get into registration before the 25th of October. By then we will have had the test of the market on Anacouda and will have a better view of the market in general, which I hope by that time will have become more settled.

With kindest regards,

Sincerely,

Mr. C. R. BLYTH,
San Francisco Office.

EXHIBIT No. 1645

[From the files of Blyth & Co., Inc. Letter from C. R. Blyth to Charles E. Mitchell]

For inter-office air mail use only

BLYTH & Co., INC.,
San Francisco, September 30, 1935.

Mr. CHARLES E. MITCHELL,
New York Office.

DEAR CHARLES: I seem to have a few moments to reply to your letters of the 20th and 27th, having momentarily discontinued my job as stump speaker for the Community Chest. Several thousand workers are now organized and the party starts tomorrow morning.

There is no question of the great importance to us of the Anacouda underwriting and followed up as it will be with some other excellent business which we control and can hand out to those of our friends who possess reciprocal power.

I have before me your memorandum to George on the make-up of the Revere Copper & Brass group. The question naturally arises—How can Harriman, Smith and First Boston, among others, continue to accept, and then show indifference when they have something we want.

Your talk with Harold Stanley was by no means disappointing to me. I do not for one minute think we can expect to preempt the entire field of original financing and in all cases be a major participant or the originator. It also seems true that, notwithstanding discontinuance of the City Company, Guaranty Company and others, that their mantles have fallen, to a considerable extent, upon Brown Harriman, E. B. Smith and so on. Otherwise Stanley wouldn't have apparently felt obligated to a continuation of certain groups formerly associated together, even though under different names. Aside from your personal relationship with the Morgan firm, and perhaps the scarcity of major league players, there is no particular reason why Morgan Stanley should do more for us than the business advantages involved in the deal would amount to. If they adopt a policy of taking positions in other business, as Kuhn Loeb does and if we are able to bring them business which shows substantial profits, that is a horse of another color. I do not know how much, if any, good would come of establishing banking relations with J. P. Morgan & Co. I had at one time thought as soon as we could maintain a reasonable balance, say nothing less than \$500,000, it might be well to try to get under the tent in that way, but of course I realize that we would then be somewhat in competition with other banking organizations which perhaps could keep several times that amount on deposit and if the deposit line were an influencing factor, would far over-top us.

The manner in which they propose handling their syndicates is of great interest. Among other things, it may go a long way toward solving what unquestionably is a very dangerous practice, for which I suppose everybody is guilty, namely—gun-beating. If the participating firms are kept in complete ignorance of how much of an issue they will receive, it will be a little difficult for them to convey through their organization to investors any assurance of making delivery. Also the proposal of Stanley's that they assume complete charge of the allotments to distributing groups, irrespective of underwriters, is excellent. Of course you are proposing to do much the same thing in Anaconda, which I believe is the right way to handle the make-up of the distributing group.

Incidentally, on the subject of *Anaconda*, you raise the point of our inter-office index system. I will say this is an old subject, one which we have repeatedly tried to get away from, because we all recognized its objectionable features, but none of us has had the ingenuity to develop an alternative plan that was anywhere near as good, to say nothing of being better.

Of course in the *Anaconda* business, with our control over the make-up of the distributing group, the question of interoffice index won't arise, because you can divert that amount of bonds for retail which we can safely and properly handle, thereby obviating any question of index.

You appreciate of course that the *index* was only in use when we received thoroughly inadequate amounts of bonds in a national distributing group organized to handle a popular issue. If we were allowed 750 bonds and had a pressing need for five times that amount, the only way we could handle our salesmen so as not to either discourage or infuriate them, was to make a division on some prearranged arithmetical formula. I do not believe our troubles, due to extreme shortage of interest in new issues, will be anywhere near as acute in the future as it has been in the past and therefore I believe the question of division on index will become largely academic and will drop of its own weight.

With respect to the *Hearst* business, we of course had very little opportunity to make an analysis of Joe's report, because of our desire that you have it without undue delay. I am sure we should have come to exactly the same conclusion as you and George did, but as a matter of personal interest I think Roy and I would have liked to have one last look at it before the final word was passed. My relations with Jack Neylan have always been very intimate and because of this relationship he and Mr. Hearst were willing that we should have a preliminary look at the report, even before they had made up their minds to let any one else have it. However, everything is in good order—Jack is happy and our position is strengthened, if anything, which fact, after all, is what is most important.

I am in the midst of discussions now with Mr. C. O. G. Miller, in the hope of inducing him to make his impending *Los Angeles Gas & Electric* issue an absolute first mortgage security by retiring approximately \$5,000,000 bonds due in 1939. This would give us a first mortgage 4% bond with earnings, after depreciation, approximately 3.8 times charges, which should make a thoroughly desirable bond anywhere you offered it. In case the matter comes up while

Bob Miller is in the office, I hope you will use your influence, as I know George is doing, to convince him the plan should be followed.

Best always,

CHARLEY.

CRB
H

EXHIBIT No. 1646

Blyth & Co., Inc., participations in issues of Consolidated Edison Co. of New York, Inc., and its subsidiaries, June 14, 1934-June 30, 1939

[Prepared by the staff of the Investment Banking Section, Monopoly Study, Securities and Exchange Commission]

Date of offering prospectus	Issue	Size of issue	Participations		Net profit before overhead
			Amount	Per-cent of total	
11/25/35 ..	New York and Queens Electric Light and Power Company, 3½s of 1965.	\$25,000,000	\$4,000,000	16.0	\$44,988
2/27/36	New York Edison Company, Inc. 3½s of 1965	55,000,000	5,000,000	9.1	58,072
4/9/36	Consolidated Edison Company of New York, Inc., 3½s of 1946.	35,000,000	3,000,000	8.6	35,421
4/9/36	Consolidated Edison Company of New York, Inc., 3½s of 1956.	35,000,000	3,000,000	8.6	37,761
5/25/36	Brooklyn Edison Company, Inc. 3½s of 1966	55,000,000	5,000,000	9.1	57,693
7/24/36	New York Edison Company, Inc. 3½s of 1966	30,000,000	2,700,000	9.0	24,050
7/22/37	Westchester Lighting Company 3½s of 1967	25,000,000	2,500,000	10.0	23,210
1/13/38	Consolidated Edison Company of New York, Inc., 3½s of 1958.	30,000,000	2,575,000	8.6	25,620
4/21/38	Consolidated Edison Company of New York, Inc., 3½s of 1948.	60,000,000	3,700,000	6.2	44,861
8/12/38	New York Steam Corporation 3½s of 1963	27,982,000	2,275,000	8.1	24,027
	Totals.....	\$377,982,000	\$33,750,000	-----	\$375,703

Source: From data supplied by Blyth & Co., Incorporated.

EXHIBIT No. 1647

[From the files of Blyth & Co., Inc.]

OCTOBER 5, 1937.

DEAR CHARLEY: Harold Stanley, of Morgan Stanley & Company, telephoned yesterday and told me that in light of certain commitments of Street houses where losses were likely to be substantial, and in view of the further heavy commitments that must be taken on additional business in the near future, they were making a general survey of Street conditions and asked if I would care to let them see our picture. I naturally acceded and spent a full hour with him yesterday afternoon.

I gave him, as of September 30th, our figures of net worth; our nine months operating profits; a general statement of our inventories broken down as to classes; a statement of our cash and loan position, and a full statement of our commitments. I also gave him a description of our operating set-up and its cost and a "horseback" opinion as to how rapidly, under pressure, we could liquidate inventories, and to what extent and how rapidly we could cut operating expenses. When I got through he was most laudatory in his expression and indicated that from the standpoint of profit record, inventory and commitments, our record was one of the finest that he had seen on the Street.

In turn he gave me a confidential look at the Morgan Stanley statement, which showed a net worth of about \$10,000,000 and was practically 100% liquid.

Stanley showed me the records that they currently keep with respect to our performance. On, certain items where they took back securities from us where we had been slow in selling, the record was not so good, but on the whole I thought it made a pretty good showing, especially with respect to the bonds

that they had bought back in the open market from our distributions. My impression was that they considered the record fair to good. He showed me one memorandum of the so-called profit that we had had from their underwritings since they started business. With his consent I took the sheet away with me and am attaching hereto a copy.

I talked the Consolidated Edison situation over with him thoroughly and after ceding (1) that I had been instrumental in bringing Floyd Carlisle into that situation; (2) that I had been influential in getting a position on the Board for George Whitney, and (3) that Carlisle had promised me in the Spring of 1935 that if Morgan & Company did not get back into the investment banking business, the financing of Consolidated Edison would be thrown over to me, he allowed that we had a real right to our present position in all Consolidated Edison business and assured me that if there was any re-arrangement in the account we would in no case be cut in percentage beyond the percentage cut that Morgan Stanley themselves took. In other words our position would be maintained.

In discussing current underwritings, Stanley did not belittle the probable losses in such accounts as Bethlehem, Pure Oil and Northern States Preferred, but added that his analysis, as far as it had gone, did not indicate that any underwriters would get into financial difficulties as a result, but he thought a good many of them would be badly hurt and that in many cases any hope of profits for the year 1937 would be shattered.

I talked to him a few minutes ago on the telephone. He concedes that Bethlehem looks like a pretty bad "flop", but with the success that has occurred in Idaho Power (which checks with our findings) and with the indications that are coming through to them this morning from Street houses and dealers on Central New York Power, he felt that that issue could be priced as high as 100 and move out successfully. I urged a price of 99½.

Certainly it looks as though we were completely in the clear except for our loss on Bethlehem, on which we set up a special reserve in September of about \$55,000. As of this writing I should think that it was not enough. If George and I had been less brilliant in our work in prying our way into Bethlehem, we would have a high rank for smartness.

Sincerely,

C. E. MITCHELL.

Mr. CHARLES R. BLYTH,
San Francisco Office.

EXHIBIT No. 1648

[From the files of Blyth & Co., Inc.]

MARCH 29, 1938.

Memorandum to Messrs. C. R. Blyth, Bernard Ford, Roy Shurtleff, J. L. Pagen, Stewart Hawes, H. O. Wetmore

CONSOLIDATED EDISON COMPANY OF NEW YORK

The above Company has in registration an issue of \$60,000,000 par value debenture bonds, due to come out of registration April 13th. The maturity, issue price and underwriting spread have as yet not been determined.

Morgan Stanley & Company are as usual managing the underwriters' account and have determined that for this issue only, and not as a precedent, they will increase the number of underwriters from 29 to 66. To allow for this increase they will reduce their own percentage of interest in the business and will ask the leading houses in the account to reduce proportionately.

Morgan Stanley's interest will be.....	\$9,000,000
we will be second with an interest of.....	3,600,000
followed by Kuhn Loeb with an interest of.....	3,000,000
Brown Harriman.....	2,100,000
Lazard, First Boston, Smith Barney and Bonbridge will have interests of.....	1,900,000
etc.	

We have advised Morgan Stanley that, subject to the usual provisions, we will consider ourselves morally committed to the foregoing interest of \$3,600,000 in this underwriting.

The underwriters will be called upon to sign the underwriting contract on April 12th and the offering is scheduled for April 14th. There will be a meeting of underwriters on Monday, April 4th at 10:30 at the offices of the Consolidated Edison Company. Mr. Hawes will attend the meeting for us.

C. E. MITCHELL.

CEM.R

EXHIBIT No. 1649

[From the files of Blyth & Co., Inc. Letter from C. R. Blyth to George Leib]

(For inter-office use only)

New York
Chicago
Boston
Philadelphia
Atlanta

Los Angeles
Los Angeles
Seattle
Portland, Ore.
London

BLYTH & Co. Inc.

120 Broadway

Cable address: BLYTHCO

NEW YORK

SAN FRANCISCO, CALIF., August 2, 1935.

MR. GEORGE LEIB, *New York Office.*

DEAR GEORGE: I think this will be my last letter from the office as Joe Ripley and I are about to leave for the Grove and from there I go to the Tavern at Lake Tahoe.

I have just talked with Hockenbeamer, telling him that both Roy and I would be away for a month, but that we could return at a moment's notice. He is, as you know, proceeding with plans to issue more bonds—some \$35,000,000 to \$40,000,000, which will be done if his hearing before the Railroad Commission next Monday works out satisfactorily, as he anticipates it will.

I have just had two letters from Charlie Mitchell, one about Morgan and the other about the Public Service of New Jersey business. The latter of course I knew was out, unfortunately for us.

In the other letter he discusses the probability of Morgan again becoming active in the Investment Banking business, either through their own organization or through Drexel. I suggested to him what you and I talked of when I was in New York, and that is the advisability of opening an account with Morgan & Co. I should think with the \$3,000,000 cash capital which we now have and with the prospects of its becoming considerably larger in the near future, that we could rather comfortably maintain a balance there of from \$400,000 to \$500,000, if it seemed such a move would tend to develop better business relations.

I think we have always tended to scatter our balances, particularly in the Northwest and Southwest, to a point that produces complete inefficiency. It seems to me that what might be called a nominal working balance is sufficient for Los Angeles and the Northwest and that our balances should be concentrated first in New York, second in San Francisco, and third in Chicago. I should think three accounts in New York, namely Guaranty, City and, as suggested, Morgan, would be ample and all that is necessary, three in Chicago, three in San Francisco and the minimum elsewhere.

What are you going to do about some leisure time this summer? Need I call to your attention the fact that you have been on the go pretty violently for about two years and that, irrespective of business, I would very strongly recommend a solid month, when you abandon both society and business, and give yourself a real recreation. I think you owe it to yourself and family and that failure to do this would be short-sighted dumbness. I cannot possibly go East in time to enable you to get away during good weather, particularly because I have to do the Community Chest job this year, but things can go along and must go along, even if you aren't there.

Best always,

CHARLEY

CRB

H

[In ink: Please write me ~~once~~ twice in a while at Tahoe. Thanks!]

EXHIBIT No. 1650

[From the files of Blyth & Co., Inc. Letter from C. R. Blyth to Charles E. Mitchell]

New York
Chicago
Boston
San Francisco

Los Angeles
Seattle
Portland

BLYTH & CO., INC.

Russ Building

Cable address: BLYTHICO

MR. CHARLES E. MITCHELL,

New York Office

SAN FRANCISCO, *January 4, 1936.*

DEAR CHARLES: As I wired you, on further thought and talking the matter over with Roy Shurtleff, we both feel the idea of opening an account with J. P. Morgan & Co. has much that might prove valuable, and certainly nothing that could be a disadvantage. It is true our account won't be very important, at least at the beginning, but it should show that our hearts are in the right place and also it cannot produce any less than have our accounts, particularly with the Guaranty and, to a lesser degree, with the City. I know the Guaranty people like us; they say many nice things about us, but if you can show me any direct business that has come from them over some 15 years when we made them our principal bankers (whatever that was worth), I should be surprised. I cannot help but believe that even a modest balance, as Morgan would consider it, will to some extent influence the already cordial feelings and desire to cooperate which they have toward us, because of you.

I was impressed with the thoroughness with which you had checked West more Willeox. It seems to me in this business where we are taking gambles every day that there is no gamble so harmless and yet so full of unlimited possibilities as that represented by an investment in a man who appears to have character and ability. I wired George that we had only one condition in connection with Willeox' association and election to Vice-Presidency and that was the elimination of Patterson, regarding whom I think we are all in agreement. Patterson is one of the cases which needs attention and not temporizing. I have every feeling of friendship for him, but no regard whatever for his value to this organization.

I am extremely interested to hear what Harry Sinclair said to you with reference to *Richfield*. My information led me to the point of believing that we should cash in on at least half of our Richfield bonds while the market appears ready to take them, but it may be that is wrong, based on information which you have.

I am having lunch with Jim Black the first of the week and at that time I expect to expose myself to certain assurances from him with reference to our position in future Pacific Gas & Electric financing. It will be very much better to have him tell me what he is going to do than to ask him to do it and I believe he is in a position where he can do that, if he wishes to.

Regarding the San Francisco Oakland Bridge, as I wired you there just isn't any inside to this, unless it be through the Reconstruction Finance Corporation which owns the bonds. It so happens one of my most intimate friends is one of the active directors in this project. At the moment he is South, but will return in a week or so, at which time I shall have a full talk with him regarding this, but you can put it right down in your book that Brown Harriman, or no one else has any drag that enables them to run away with this business and I think rather than submit to their leadership, although feeling most cordially toward them, we should go it alone—at least at this stage of the game. I do know that a lot of the spectacular names which are to be associated in this business in the Witter group won't be worth much when it comes to selling bonds. I will report more on this when I have the opportunity.

I notice the hedge clause in the postscript of your letter dated December 31st, in which you apparently are now trying to change the terms of the business arrangement I had with you with reference to occupancy of our new offices, by making it seem as if the understanding was—as and when my individual office would be ready for occupancy. No wonder our President refers so slightly to the tactics of Wall Street. In order that there may be no misunderstandings, let me repeat that when I discussed occupancy of 14 Wall Street, I meant complete occupancy and not the carpentry and shingling up of just one room.

Best always,

CRB

H

Dictated but not read.

CHARLEY.

EXHIBIT No. 1651-1

[Letter from J. P. Morgan & Co. to Investment Banking Section, Monopoly Study, Securities and Exchange Commission]

23 WALL STREET.

New York, September 22, 1939.

PETER R. NEHEMKIS, JR., Esq.,

Special Counsel, Investment Banking Section,

Monopoly Study, Securities and Exchange Commission,

Washington, D. C.

DEAR MR. NEHEMKIS: I wish to acknowledge receipt of your letter of September 19, 1939.

I am enclosing schedules which we have prepared and are submitting in response to your inquiry of August 17, 1939.

Some time after the 1st of October I will communicate with you and arrange a time to talk with you along the lines which I mentioned in my letter of September 18, 1939.

Yours very truly,

HENRY C. ALEXANDER.

EXHIBIT No. 1651-2

DEPOSIT ACCOUNTS OF INVESTMENT BANKING FIRMS (I. E. MEMBERS OF INVESTMENT BANKERS ASSOCIATION OF AMERICA) WITH J. P. MORGAN & CO.—DREXEL & CO. AS OF 7/1/39¹

Name	Date account opened	Period from 6/14/34 to 7/1/39 or from date account opened (if subsequent to 6/14/34) to 7/1/39	
		Maximum monthly average balance	Minimum monthly average balance
A. E. Ames & Co., Ltd., Toronto, Canada.....	6/29/39	\$30,000	\$30,000
Blyth & Co., Inc., 14 Wall Street, New York, N. Y.....	5/5/36	250,000	71,000
Bonbright & Co., Inc., 25 Nassau Street, New York, N. Y.....	1/10/35	500,000	58,000
Butcher & Sherrerd, 1500 Walnut Street, Philadelphia, Pa.....	6/22/34	24,500	5,600
Clark Dodge & Co., 61 Wall Street, New York, N. Y.....	6/25/34	1,094,000	100,000
Dominick & Dominick Special Account, 115 Broadway, New York, N. Y.....	6/15/34	418,000	100,000
Dominick & Dominick—Fiscal Agents, 115 Broadway, New York, N. Y.....	7/15/38	2,016,000	15,000
Elkins, Morris & Co., 305 Land Title Building, Philadelphia, Pa.....	1/7/37	50,000	28,100
First Boston Corporation, The, 100 Broadway, New York, N. Y.....	1/22/35	103,000	77,000
Robert Garrett & Sons, South & Redwood Streets, Baltimore, Maryland.....	Prior to 6/14/34	5,000	300
Goldman Sachs & Co., 30 Pine Street, New York, N. Y.....	10/1/36	100,000	75,000
Hemphill Noyes & Co., 15 Broad Street, New York, N. Y.....	6/8/38	100,000	100,000
Hornblower & Weeks, 40 Wall Street, New York, N. Y.....	Prior to 6/14/34	50,000	50,000
Kean, Taylor & Co., Special Account, 14 Wall Street, New York, N. Y.....	6/18/34	117,000	10,000
Lazard Freres & Co., 120 Broadway, New York, N. Y.....	1/3/38	1,526,000	462,000
Lehman Bros., 1 William Street, New York, N. Y.....	5/5/36	500,000	253,000
Lee Higginson Corp., 37 Broad Street, New York, N. Y.....	9/25/34	\$200,000	\$103,000
Morgan Stanley & Co. Incorporated, 2 Wall Street, New York, N. Y.....	9/16/35	10,620,000	3,018,300
W. H. Newbold's Son & Co. Agent A/C, 1517 Locust Street, Philadelphia, Pa.....	4/27/38	260,500	116,100
Salomon Bros. & Hutzler, 60 Wall Street, New York, N. Y.....	6/28/34	100,000	18,000
J. & W. Seligman & Co., 54 Wall Street, New York, N. Y.....	7/9/34	538,000	26,000
Smith, Barney & Co., 1411 Chestnut Street, Philadelphia, Pa.....	12/31/37	65,600	27,300
Smith, Barney & Co. "C. C. B. Account", 1411 Chestnut Street, Philadelphia, Pa.....	12/31/37	400,000	100,000
Smith, Barney & Co. Special Credit Account, 14 Wall Street, New York, N. Y.....	1/3/38	470,000	100,000
White, Weld & Co. Special, 40 Wall Street, New York, N. Y.....	7/3/34	200,000	90,000
The Wisconsin Company, Milwaukee, Wisconsin.....	3/20/39	61,000	50,000
Dean Witter & Co., San Francisco, California.....	5/26/39	102,000	100,000

¹ See "Exhibit No. 1668," appendix, p. 11827, for supplementary memorandum.

EXHIBIT No. 1651-3

[Prepared by J. P. Morgan & Co.]

LOANS BY J. P. MORGAN & CO.-DREXEL & CO. TO INVESTMENT BANKING FIRMS
(1. E. MEMBERS OF INVESTMENT BANKERS ASSOCIATION OF AMERICA)
HAVING DEPOSIT ACCOUNTS WITH THEM AS OF JULY 1, 1939

Name	Loans during period from 6/14/34 to 7/1/39	Owing 7/1/39
Clark Dodge & Co., 61 Wall Street, New York, N. Y.	Ranging from no loans to \$1,000,000....	\$100,000
Elkins, Morris & Co., 305 Land Title Building, Philadelphia, Pa.	Ranging from \$50,000 to \$100,000.....	50,000
First Boston Corporation, The, 100 Broadway, New York, N. Y.	Ranging from no loans to \$4,500,000....	No Loan
Hemphill Noyes & Co., 15 Broad Street, New York, N. Y.	Ranging from no loans to \$300,000.....	200,000
W. H. Newbold's Son & Co., 1517 Locust Street, Philadelphia, Pa.	Ranging from no loans to \$190,000.....	No Loan
Salomon Bros. & Hutzler, 60 Wall Street, New York, N. Y.	Ranging from no loans to \$4,700,000....	2,425,000

EXHIBIT No. 1652-1

[From the files of Blyth & Co., Inc. Letter from E. M. Stevens to C. E. Mitchell]

Los Angeles
Seattle
Portland

Chicago
Boston
San Francisco

BLYTH & CO., INC.,
35 South LaSalle Street,
Chicago, April 11th, 1936.

THE CRANE COMPANY,
Mr. C. E. MITCHELL,
New York Office.

DEAR CHARLEY: Late Friday afternoon I saw Walter Cummings again relative to the Crane Company business. As you know, for reasons which seemed to them potent and ostensibly connected with some of the stock transactions with Morgan and Clark Dodge, the Crane Company Board had voted to give this business to Morgan Stanley. Mr. Nolte, the President of Crane Company, seems to have the idea that having turned this business over to Morgan on the instructions of his Board he could not with propriety attach any strings to it thereafter and does not appear to be willing to make any suggestions to Morgan as to what they should do with the business.

Of course, I explained to Walter Cummings that such action was customary and would not be considered improper, which Cummings thoroughly understood. He apparently is interested to do what he can and again called Nolte yesterday to tell him that the Continental Bank as Executor of the Crane Estate and largely interested, would like to have him make suggestions to Morgan that the Company would be pleased to have us in the business in a major way. Cummings tells me that he has done everything he could in suggesting such action on Nolte's part but, of course, he cannot force him to do so.

I see no impropriety in your advising Morgan frankly of this situation and letting them know that Mr. Cummings has so expressed himself on behalf of the Continental Bank. Furthermore, if there is anything in the heritage rights it was the Continental Bank which did the last financing for the Crane people and, as you know, it was handled directly by myself with Mr. Crane personally. Nolte evidently has a mistaken idea about the propriety of his injecting a suggestion of this kind to Morgan at this time, but I see no reason why you should not let them know directly of Mr. Cummings' attitude.

Cummings is apparently very friendly to us and considerably distressed about Nolte's attitude. We are doing everything we can at this end. Driver understood previously that Nolte had promised him that he would either head the business or at least have a major position in it. Doubtless he had many solicitations and obviously thinks that he has disposed of any embarrassment with other houses by turning it all over to Morgan. There is every reason however, of course, why Chicago should be prominently in this piece of business and

there is obviously every logical reason why we should be the people. We again discussed the matter this morning with Lowell, Vice President of the Continental, who is on the Crane Board and who apparently is desirous of having us in, and who has told us today he is thinking over what they may further do to help this situation. In the meantime, I see no reason why you cannot discuss it all frankly with the Morgan people if you choose—explain the entire situation, the attitude of Cummings and his bank and the logic of our being the Chicago partner. My guess is that Nolte may have made so many partial promises that he does not want to be in a position of embarrassing himself with the other people here by suggesting us. On the other hand, I am sure that it will be perfectly all right if we came into this business presumably through Morgan rather than at his insistence. This I take to be his attitude.

We will follow this further here and await any further suggestions from you. Hope you can get the Morgan people to see the light.

Yours sincerely,

GENE.

EMS: MP

Copy sent to M. Stanley and C R B

EXHIBIT No. 1652-2

[From the files of Blyth & Co., Inc.]

APRIL 13, 1936.

DEAR HAROLD: As you know, when you were away from the office last week I talked to Perry Hall about the Crane business and made a plea for special consideration of our firm on three counts—first that we had for a very long period been working assiduously with the Crane people on an acceptable financial plan; second that our Vice Chairman, Gene Stevens, when President of the Continental, had personally handled the issue which you are now refunding; and third that Mr. Cummings the present President of the Continental Bank which is Executor of the Crane Estate, had told Stevens that he had said to Nolte that he would be particularly pleased if our firm could be prominently connected with this business. Perry Hall told me that the first plea would have little weight because there were many firms who claimed to be in a similar position, he passed over the second plea without comment but with regard to the third said that if such a word actually came through to them from Cummings, it would have weight.

I passed that word on to Stevens and have received a letter from him this morning of which I enclose a copy. It was obviously not written with the idea that I would show it to you but it so completely tells the story that I think I better do so and "let the chips fall where they may." I hope you will see your way clear to give us special consideration under the circumstances as detailed.

Sincerely,

C. E. MITCHELL.

Mr. HAROLD STANLEY,
Morgan, Stanley & Co., 2 Wall Street, New York.

Copy to E. M. S.
C. R. B.

EXHIBIT No. 1652-3

[From the files of Blyth & Co., Inc. Letter from Harold Stanley to Charles E. Mitchell]

2 WALL STREET, NEW YORK, April 17, 1936.

Mr. CHARLES E. MITCHELL,
Blyth & Co., Inc., 14 Wall Street, New York City.

DEAR CHARLIE; I went to Washington the day after receiving your letter of April 13th about the Crane business and have neglected to answer it since then. All I can say at present is that I do not know what sort of a group we will form, if any. However, I have read Gene Stevens' letter and we will certainly have your request in mind when the time comes to make a decision.

Sincerely yours,

HAROLD.

EXHIBIT No. 1652-4

[From the files of Blyth & Co., Inc.]

MAY 26, 1936.

DEAR CHARLEY: Just for your information. Harold Stanley called me today to give me in advance two pieces of bad news.

First, that we would not be in the Crane business which is disappointing as we had four claims for placement: (1) that Gene Stevens had negotiated the previous issue; (2) that we had done a great deal of work with the Company on their financial set-up in Chicago; (3) that we had been assured by the Company that they wanted us in the business, backed by the fact that Lee Linbert's brother-in-law is an official there and had given us considerable inside information; and (4) that Mr. Cummings, the President of the Continental Bank who are Trustees of the Crane Estate, had indicated that they would like to see us prominent in the business and had so notified the Company. Those in the business with Morgan Stanley are Clark Dodge, who assisted in the flotation of common stock for the Company some years ago; Lee Higginson, who were prominent in the last bond financing, and E. B. Smith & Company, who by virtue of being heirs of the Guaranty Company are given the old Guaranty position.

Second, we are not in the Niagara Falls Power issue. Regarding this Stanley says that they are forced to recognize houses having previously to do with the companies in that system and in this issue will recognize four or five such houses only.

Harold was most apologetic regarding both of these situations and told me that he wanted me to have the news before it came from any other quarter and that they would hope to make it up to us in some other way.

Sincerely,

C. E. MITCHELL.

Mr. CHARLES R. BLYTH,
San Francisco Office.

Copy to E. M. S.—C. E. D.
(Handwritten:) Cross filed Niagara.

EXHIBIT No. 1652-5

[From the files of Blyth & Co., Inc.]

EUGENE M. STEVENS,
Vice Chairman.

Cable address
BLYTHCO

BLYTH & Co., INC.

135 SOUTH LA SALLE STREET

CHICAGO, May 27th, 1936.

DEAR CHARLIE: I have the copy of your letter of the 26th to Charley Blyth about the Crane and Niagara Falls business. I am, of course, very much disappointed about the former. It seems to me we used all the pressure that we could. The irony of it is that Lee Higginson, and Smith, as heirs of the Guaranty Co., are given a position by reason of their last financing, and I was the one who gave them that position by inviting them in.

I am quite confident that the Company originally expected to give the business to us to head but it was finally turned over to Morgan, for reasons which you understand, and without recommendation as to who they would take along. The matter, therefore, was actually in Morgan's hands but I can hardly understand their reasoning in taking along the others through inheritance and excluding us when it seemed to me our claim on this ground was much stronger than either of the others.

As you know, this business was well under way before I came in. I do not know whether I could have changed it at an earlier stage or not.

Sincerely yours,

GENE.

Mr. C. E. MITCHELL,
New York Office.

EXHIBIT No. 1652-6

[From the files of Blyth & Co., Inc.]

(Handwritten:) Crane Co.

MAY 29, 1936.

DEAR GENE: I have your letter of the 27th regarding the Crane business and can understand your disappointment. This is a case which shows us very definitely what we are up against and how hard we have to fight.

Talking with Harold Stanley a couple of days ago about this, he remarked that it would be as far fetched for us to claim a position in this business by virtue of your present relationship with us as it would be for him to claim business that the Guaranty Company had handled years ago when he headed that Company. We are bound to have an uphill fight against those existing entities which, though they have no legal claim to heirship, represent in large measure in their personnel a large body of employees of former issuing and now defunct companies.

In the long run however, they and we will occupy the position that our brains and organization justify and we might just as well approach the problem on that basis.

Sincerely,

C. E. MITCHELL.

Mr. E. M. STEVENS,
Chicago Office.

Copy C. R. B.

EXHIBIT No. 1653-1

[From the files of Blyth & Co., Inc., Memorandum given to Charles F. Mitchell, Blyth & Co., Inc., by Harold Stanley, Morgan Stanley & Co. Incorporated.]

[Copy]

Blyth & Co., Inc.

	Selling Group Concessions	Underwrit- ing
1935.....	\$16,284.40	\$63,191.67
1936.....	39,598.50	566,802.38
1937.....	17,156.25	288,536.87
Plus Ohio Edison 4s '67.....	2,250.00	
	\$75,289.15	\$918,530.92
		\$918,530.92
		75,289.15
		\$993,820.07 Profit

¹ This includes \$769,425. being theoretical profit on Bonds and Stocks retained by them.

OCTOBER 1, 1937.

EXHIBIT No. 1653-2

[From the files of Blyth & Co., Inc. Letter from C. R. Blyth to Charles E. Mitchell]

For Inter-Office Air Mail Use Only

Mr. CHARLES E. MITCHELL,
New York Office.

BLYTH & CO., INC.,
San Francisco, October 7, 1937

DEAR CHARLIE: Your letter of October 5th is naturally of the greatest interest. What is most surprising, I think, is the change in times and customs which makes possible with Morgan & Company an exchange of the most confidential kind of information. Aside from that, I get no little satisfaction in having authentic and informed opinion confirming our own belief, or maybe it was hope, that so far this year our organization has handled itself about as well as conditions would allow.

Furthermore, it is a satisfaction to have our affairs in such shape that we can freely expose them to Harold Stanley, while harboring no mental reservations, or anything to be ashamed of.

I don't mean that I am at all satisfied with what we are doing, nor with the capacity of our organization. I am happy over its general reputation and over its very extensive list of friends. I am not unduly alarmed over operating losses, except in certain quarters which we have under close observation, and I do think we have a future that is continuously brightening. It is impossible for any group, starting from scratch as we did, to conquer the financial world in twenty-four years, but if we have been able to get as far as to enable an unprejudiced banker of Stanley's position to realize that our cargo hasn't shifted (yet), and that we are right on our course, it is rather comforting.

The big question which we have asked a thousand times, and which in good markets I think we are apt often to consider as only another cry of "wolf", is—"What about future commitments of large proportion, extending over a 30-day period while stockholders are given the right to act and the market an opportunity to collapse?" Really, it doesn't make sense to underwrite \$50,000,000 of securities for a two point spread, which at the end of the stymie may become an Irish dividend of 5 or more points. Bethlehem Steel gave us a good taste of that, although for a rather small fee from us. When you visualize what might have been a possibility, namely the underwriting by us of a convertible Anaconda issue, with performance comparable to Bethlehem, it makes one realize our capital in the business might not prove such a dependable thing after all.

I am delighted over your clarifying the Consolidated Edison business with Morgan. Certainly if anybody is entitled to a real place in that picture we are, because of you, and apparently Morgan agrees, so we seem to be set.

Before you have a chance to jump on me on the question of fallibility of Charley Meek and his chart work, I will put up the defense I have always used, by saying that if Charley Meek can be right 80% of the time, or even 65% of the time, we will profit by paying some attention to his market opinions. The break of last Tuesday not only caught him wholly unprepared, but in the position of having clearly indicated we were in an upward movement. I do not believe this at all disproves Charley's value. I also never would advocate any very drastic moves to fit in with Charley's ideas. If we had a big inventory position and he felt rather certain that a slump was about to occur, I should think we would be well to act, because we could do nothing worse than lose some possible profits. If, however, he urged heavy commitments during a period of depression, I would be most reluctant to move, because I would consider that nothing short of gambling, and I don't think we want to gamble.

I hope you will give some thought to the question I raised with George, regarding a stock brokerage house to become interested and actively sponsor Rayonier, Incorporated stocks. I think it is very important we get action in that quarter.

Best always,

CRB
H

CHARLEY.

EXHIBIT No. 1654

[From the files of Blyth & Co., Inc.]

Mr. CHARLES R. BLYTH,
San Francisco Office.

OCTOBER 21, 1937.

DEAR CHARLEY: I have had occasion to sit down for informal chats today with both Harold Stanley and Elisha Walker and to each of them I said about this: "It may possibly be that before the year-end there will be some readjustments among the investment banking houses that will mean consolidations, buy-outs or takings-over. We have no desire to change our own status but if there is any development in which it would be helpful to the situation for us to act, and at the same time distinctly to our benefit to act, we would be glad to have it at least brought to our attention."

Elisha Walker said that he would consider it more than probable that there would be some readjustments and if they came to their attention he certainly would bear us in mind. *Harold Stanley* said that it was the view of his firm and of the "corner" that there were too many houses in the business now, that there ought to be a smaller number and that number ought to be stronger, that he was delighted to know how we would view the situation in case developments might occur, and he further added that he would make our attitude known to the "corner".

Stanley said that since our talk of a week ago the question had arisen as to whether any part of our capital was "special", and when I answered in the negative he asked whether we would be receptive to a suggestion of "special" capital coming into our business. In reply I told him that I naturally could not answer for the firm but off-hand I would think it very doubtful if we would be receptive to that kind of suggestion. I haven't the slightest inkling of what he was trying to get at and your conjecture would be just as good as mine. It is interesting to know, however, that the subject has even been under discussion.

Sincerely,

C. E. MITCHELL.

CEM.R

EXHIBIT No. 1655

[From the files of Blyth & Co., Inc. Letter from C. E. Mitchell to Charles R. Blyth]

AUGUST 8, 1938.

Mr. CHARLES R. BLYTH,
%Tahoe Tavern, Lake Tahoe, Calif.

DEAR CHARLEY; Here is a matter of more than passing interest. Last Friday, John Young, of Morgan, Stanley & Co., talked with Roy on the telephone, and asked him if we would mind giving them, in confidence, a statement of the amount of underwriting we had done during the past three years.

Enclosed is a copy of Jack Pagen's memorandum to Roy which gives the specific questions and answers in the form requested, and which Roy is sending over to the Morgan Stanley office this afternoon.

One can merely conjecture what they are getting at. I do not know whether they want to get an idea of how we are treating ourselves and being treated by others so that they may have some yardstick to apply to us, or whether, as seems more likely to me, that they are requesting this information generally in order to be able to build up an argument that the combined capital strength of underwriters is altogether out of proportion to the underwriting done, and ought to be increased by the development of some process permitting bank capital to enter the situation.

Of course, the information asked for is of a character that we would not want to give to any other inquirer than Morgan Stanley or the Federal Reserve Bank; but I see no reason to withhold it, and in any event it makes a pretty good showing for us in comparison with what the majority of other houses will be able to present.

If I casually find out—as it is more than probable I will in the next few days—the reason back of this questionnaire, I will advise you.

Sincerely,

CEM.JD.

EXHIBIT No. 1656-1

[Letter from Blyth & Co., Inc., to Investment Banking Section, Monopoly Study, Securities and Exchange Commission]

C. E. MITCHELL
Chairman

Cable address
BLYTHCO

BLYTH & Co., Inc.

14 Wall Street

NEW YORK, August 16, 1939.

Mr. PETER R. NEHEMKIS, JR.,
Special Counsel, Investment Banking Section, Securities and Exchange Commission, Washington, D. C.

DEAR MR. NEHEMKIS: I have your letter of August 16 requesting a copy of the figures furnished Morgan, Stanley & Co., Incorporated with respect to the underwritings by our firm for the years 1935, 1936, and 1937.

A copy of the letter embodying this data is enclosed herewith.

Very truly yours,

C. E. MITCHELL, Chairman.

Enclosure.
CEM:CB.

EXHIBIT No. 1656-2

[Enclosed with "Exhibit 1656-1"]

[Copy]

New York
Chicago
Boston
Philadelphia

San Francisco
Los Angeles
Seattle
Portland

BLYTH & Co., Inc.

14 Wall Street

NEW YORK, August 8, 1938.

MORGAN STANLEY & Co., Inc.,

Two Wall Street, New York, N. Y.

Attention: Mr. John Young, Vice President.

DEAR SIRs: Answering your questionnaire of August 5, regarding a record of our underwritings from September 1, 1935 to August 15, 1938, inclusive, we submit the following:

1. (a) Number of issues in which Blyth & Co., Inc., was an underwriter----- 222
 - (b) Aggregate principal amount of such issues----- \$5,442,581,404
 - (c) Aggregate underwriting commitments of Blyth & Co., Inc. therein----- \$387,211,452
 2. Included in the above figures are:
 - (a) Number of issues managed by Blyth & Co., Inc.----- 39
 - (b) Aggregate principal amount of such issues----- \$392,875,537
 - (c) Aggregate underwriting commitments of Blyth & Co., Inc., therein----- \$124,757,937
- Very truly yours,

BLYTH & Co., Inc.

By: (Signed) ROY L. SHURTLEFF,
Vice President.

RLS.C

"EXHIBIT No. 1657" appears in full in text on p. 11594

EXHIBIT No. 1658-1

[From the files of Blyth & Co., Inc.]

MORGAN, STANLEY & Co.

1935

Nov. 25/35: \$25,000,000 New York and Queens Electric Light & Power first & cons. mtge. 3½s, due Nov. 1, 1965: Gross profit
 Buying group—\$4,000,000 (16%)----- \$47,405
 Nov. 20/35: \$43,963,500 *Ohio Edison Company first & cons. mtge. 4% series, due Nov. 1, 1965:
 *Buying group—\$1,000,000 (2¼%)----- 10,000
 *This reciprocal obligation is divided equally with Bonbright & Co. (\$1,000,000—2¼%—\$10,000 each.)
 Our total buying group interest was \$2,000,000. 4½%.
 Total for 1935----- \$57,405

Avr. int. 9.13%—2 deals.

*Mr. Willkie told Mr. Hoover he suggested our name in Ohio Edison.

1936

Feb. 27/36: \$55,000,000 New York Edison Co. first lien & ref. mtge. 3¾%, ser. "D", due Oct. 1, 1965:
 Buying group—\$5,000,000 (9¼%)----- 31,250

MORGAN, STANLEY & Co.—Continued

1936

Mar. 19/36: \$55,830,000 Consumers Power Co. 3½% first mtge. bonds due Nov. 1, 1970:	<i>Gross profit</i>
*Buying group—\$500,000 (¼ of 1%)-----	\$6,250
*(We had a total interest of \$1,000,000, divided 50-50 between Morgan Stanley & Bonbright).	
(No reciprocal credit is due as Mr. Willkie requested our inclusion)	
Apr. 6/36: \$15,000,000 New York Central R. R. Co. secured notes due serially from April 1, 1937-41.	
Buying group—\$750,000 (5%)-----	2,131
Apr. 6/36: \$40,000,000 New York Central R. R. Co. S. F. 3¼% bonds due April 1, 1946:	
Buying group—\$2,000,000 (5%)-----	20,000
Apr. 9/36: \$35,000,000 Consolidated Edison Co. of N. Y. Inc. debentures, 3½%, due 1956:	
Buying group—\$3,000,000 (8½%)-----	37,500
Apr. 9/36: \$35,000,000 Consolidated Edison Co. of N. Y. Inc. 3¼%, due 1946:	
Buying group—\$3,000,000 (8½%)-----	33,750
Apr. 16/33: \$30,000,000 Pacific Telephone & Telegraph Co. 3¼%, due April 1, 1936:	
Buying group—\$2,300,000 (7½%)-----	23,000
Apr. 30/36: \$10,362,000 Chesapeake & Ohio Railway Co. ref. & imp. mtge. 3½% "D", due May 1, 1996:	
Buying group—\$2,500,000 (6½%)-----	21,875
May 1/36: \$24,000,000 Cincinnati Union Terminal Co. 3½% mtge. "D" bonds due May 1, 1971:	
Sub-underwriting group—\$1,000,000 (4¼%)-----	8,750
May 27/36: \$85,000,000 Standard Oil Company, Inc. of New Jersey 3% debentures due June 1, 1961:	
Buying group—\$2,000,000 (2½%)-----	17,500
May 25/36: \$55,000,000 Brooklyn Edison Company, Inc. 3¼% mtg. due May 15, 1966:	
Buying group—\$5,000,000 (9¼%)-----	18,750
June 25/36: \$26,000,000 Louisville & Nashville R. R. Co. first ref. mtge. 3¼%, due April 1, 2003:	
Sub-underwriting group—\$1,500,000 (6%)-----	11,250
July 15/36: \$15,300,000 Chesapeake & Ohio Railway Co. serial notes issue of 1936, due July 15, 1937/46:	
Buying group—\$900,000 (6%)-----	3,375
July 24/36: \$30,000,000 New York Edison Co. Inc. first lien & ref. mtge. ser. "E" 3¼%, due April 1, 1966:	
Sub-underwriting group—\$2,700,000 (9%)-----	23,625
July 30/36: \$29,500,000 Chesapeake & Ohio Railway Co. ref. & imp. mtge. ser. "E" 3½%, due Aug. 1, 1996:	
Buying group—\$1,800,000 (6%)-----	15,750
Aug. 20/36: \$50,000,000 General Motors Acceptance Corp. 3¼% debentures, due Aug. 1, 1951:	
Buying group—\$1,750,000 (3½%)-----	13,125
Aug. 20/36: \$50,000,000 General Motors Acceptance Corp. 3% debentures due Aug. 1, 1946:	
Buying group—\$1,750,000 (3½%)-----	10,937
Oct. 15/36: \$175,000,000 American Telephone & Telegraph Co. 3¼% debentures due Oct. 1, 1961:	
Buying group—\$5,000,000 (2¾%)-----	43,750
Nov. 19/36: \$23,500,000 Argentine Republic S/F external conversion loan 4½%, due Nov. 15, 1971:	
Buying group—\$1,250,000 (5½%)-----	12,500
Dec. 2/36: \$140,000,000 American Telephone & Telegraph Co. debenture 3¼% due December 1, 1963:	
Buying group—\$1,000,000 (2¾%)-----	35,000
Dec. 17/36: \$25,000,000 Pacific Telephone & Telegraph Co. 3¼% re-funding Mtge. Ser. "C", due Dec. 1, 1966:	
Buying group—\$1,900,000 (7½%)-----	16,625

MORGAN, STANLEY & Co.—Continued

1936

Dec. 30, 1936: \$26,834,000 Ohio Edison Co. first Mtge. bonds 3¾%, due Jan. 1, 1972:	<i>Gross profit</i>
Buying group—\$1,100,000 (4%)-----	\$9,625
(Mr. Willkie also interceded strongly for us in this business)	

21 Deals—Avr. Int.—6% Total for 1936----- \$410,003

1937

Jan. 14/37: \$50,000,000 Great Northern Railway Co. general mtge. 3¾%, ser. "I", due January 1, 1967:	
Buying group (sub-underwriting)—\$2,000,000 (4%)-----	17,500
Jan. 21/37: \$55,000,000 Government of the Dominion of Canada 3% due January 15, 1967:	
Buying group—\$1,618,000 (2¼½%)-----	14,158
Jan. 21/37: \$30,000,000 Government of the Dominion of Canada 2¼% due January 15, 1944:	
Buying group—\$82,000 (2¼½%)-----	7,717.50
Feb. 10/37: \$70,000,000 Argentine Republic S. F. ext. conversion loan 4% bonds, due Feb. 15, 1972:	
Buying group—\$3,000,000 (4¾%)-----	30,000
Mar. 11/37: \$130,000,000 Philadelphia Electric Co. first & ref. mtge. bonds, 3½%, due Mar. 1, 1967:	
Buying group—\$1,000,000 (3%)-----	26,250
May 6/37: \$45,000,000 Southern Bell Telephone & Telegraph Co. 3¼% debentures due April 1, 1962:	
Buying group—\$1,000,000 (2¾%)-----	8,750
Apr. 22/37: \$35,000,000 Argentine Republic S. F. external 4% conversion loan, due April 15, 1972:	
Buying group—\$1,500,000 (4¾%)-----	13,257
June 22/37: 192,803 Shares Crane Co. 5% cumulative convertible preferred stock (\$100 par value):	
Buying group—1660 shares of unsubscribed stock---	\$1,840.66
9640 " —5% of 192,803 shares---	19,280.30
	21,120.96
Less management fee-----	3,615.06
	17,506
June 30/37: 500,000 shares E. I. DuPont DeNemours & Co. \$4.50 preferred stock (without par value):	
Buying group—15,000 shares (3%)-----	16,875
June 23/37: 200,000 shares Standard Brands Inc. \$4.50 preferred cumulative stock (without par value):	
Buying group—10,000 shares (5%)-----	8,250
July 2/37: \$20,285,000 Phelps Dodge Corp. 3½% conv. debentures due June 15, 1952:	
Buying group—\$760,687.50 (3¾%)-----	10,758
July 22/37: \$25,000,000 Westchester Lighting Co. 3½% genl. mortgage bonds due July 1, 1967:	
Buying group—\$2,500,000 (10%)-----	21,875
Oct. 7/37: \$48,364,000 Central New York Power Corporation 3¾% general mortgage bonds due Oct. 1, 1962:	
Buying group \$1,500,000 (3%)-----	9,375.00

13 deals—Average interest 4%. Total for 1937----- \$232,273.50

1938

Jan. 13/38: \$30,000,000 Consolidated Edison Co. of New York, Inc. 3½% debentures due Jan. 1, 1938:	
Buying group—\$2,575,000 (8½%)-----	22,531
Mar. 31/38: \$30,000,000 Duluth, Missabe & Iron Range Ry. Co., first mtge. 3½% bonds due Oct. 1, 1962:	
Buying group—\$1,200,000 (4%)-----	10,500
Apr. 21/38: \$60,000,000 Consolidated Edison Co. of N. Y., Inc. 10-yr. 3½% debentures due Apr. 1, 1948:	
Buying group—\$3,700,000 (6%)-----	27,750

MORGAN, STANLEY & Co.—Continued

1938

May 5/38: \$45,000,000 Southern Bell Telephone & Telegraph 3¼% debentures due Apr. 1, 1962:	<i>Gross profit</i>
Buying group—\$1,000,000 (2½%)-----	\$8,750.00
June 2/38: \$100,000,000 United States Steel Corporation 3¼% debentures due June 1, 1948:	
Buying group—\$3,300,000 (3½%)-----	24,750.00
June 9/38: \$30,000,000 the Mountain States Telephone & Telegraph Co. 3¼% debentures due June 1, 1968:	
Buying group—\$750,000 (2½%)-----	6,562.50
July 7/38: \$35,000,000 Standard Oil Co. (Inc. in N. J.) serial notes (over) due \$7,000,000 each July 1943-47, Inc.:	
Buying group—\$1,340,000 (3½%)-----	8,375.00
July 14/38: \$30,000,000 Southwestern Bell Telephone Co. first & ref. mtge. 3% due July 1, 1963:	
Buying group—\$700,000 (2½%)-----	6,125.00
July 7/38: \$50,000,000 Standard Oil Co. (Inc. in N. J.) 2¾% debentures due July 1, 1953:	
Buying group—\$2,100,000 (4½%)-----	16,200.00
Aug 12/38: \$27,982,000 New York Steam Corp. first mtge. 3½% due July 1, 1963:	
Buying group—\$2,275,000 (8½%)-----	22,750.00
Aug. 31/38: \$10,000,000 Gulf States Utilities Co. first & ref. mtge. "C," 4%, due Oct. 1, 1966:	
Buying group—\$500,000 (5½%)-----	5,900.00
Nov. 17/38: \$40,000,000 Government of the Dominion of Canada 5% bonds, due November 15, 1968:	
Buying group—\$1,000,000 (2½%)-----	8,750.00
Nov. 3/38: \$25,000,000 Argentine Republic sinking fund external loan 4½%—Due Nov. 1, 1948:	
Buying group—\$1,000,000 (4%)-----	12,500.00
13 deals—avr. int. 4½% Total for 1938-----	\$181,443.50

Nov. 18/35: \$40,000,000 Los Angeles Gas & Electric Corp. 1st & genl. mtge. 4s, due 1970:

We offered them an interest of \$5,000,000 (12½%)—\$56,250 but they declined as they did not have time to make a sufficiently thorough investigation to join in this business, and in addition their shop was over-crowded with their own deals.

1936

Mar. 24/36: \$90,000,000 Pacific Gas & Electric Company 3¾% mtge. ser. "II" due December 1, 1961:

We ceded them—\$10,000,000 (11½%)----- \$75,000.00

EXHIBIT No. 1658-2

[From the files of Blyth & Co., Inc.]

KUHNS LOEB & Co.

1935

April 12/35: \$16,000,000 Chicago Union Station first mtge. 4s 1963:	
Buying group—\$300,000 (1½%)-----	\$1,500.00
July 2/35: \$55,000,000 Bethlehem Steel Corp. cons. mtge. 25 year 4¼s due 1960:	
Buying group—\$500,000 (10/11ths of 1%) \$8,125	
July 9/35: \$48,000,000 Armour & Co. of Delaware first mortgage 20 year 4% bonds due Aug. 1, 1955:	
Buying group—\$2,000,000 (4½%)-----	35,000.00
Aug. 11/35: \$24,000,000 Republic Steel Corp. genl. mortgage conv. 4½% ser. "A" due Sept. 1, 1950:	
Sub-underwriting group—\$1,000,000 (4½%)-----	8,750.00

KUHN LOEB & Co.—Continued

1935

Aug. 29/35: \$50,000,000 Pennsylvania Company 28-year 4% secured bonds due Aug. 1, 1936:	
Sub-underwriting group \$1,250,000 (2½%)	Gross profit \$3,250.00
Total for 1935	\$48,500.00

Average int. 3.17%—4 deals.

1936

Jan. 22/36: \$35,000,000 Inland Steel Company first mtge. 3¼% bonds series "D" due Feb. 1, 1961:	
Buying group \$1,000,000 (2½%)	15,000.00
Jan. 15/36: \$35,000,000 Wheeling Steel Corp. first mortgage 4½% bonds, ser. "A" due Feb. 1, 1966:	
Buying group—\$1,400,000 (4%)	21,000.00
Jan. 29/36: \$15,000,000 Republic Steel Corp. 4½% gen. mtge. bonds, series "B" due Feb. 1, 1961:	
Buying group—\$1,250,000 (2½%)	12,500.00
Jan. 23/36: \$40,000,000 Pennsylvania Railroad Company genl. mtge. ser. "C", 3¾% due Apr. 1, 1970:	
Sub-underwriting group—\$750,000 (1⅞%)	1,875.00
Mar. 3/36: \$44,000,000 Chicago Union Station first mge. 3¾% ser. "E", due July 1, 1963:	
Sub-underwriting group—\$600,000 (1 4/11%)	3,000.00
Apr. 8/36: \$26,835,000 Union Pacific Railroad Company, 3½% debentures due May 1, 1971:	
Sub-underwriting group—\$900,000 (3⅓%)	6,750.00
July 1, 1936: \$19,250,000 General American Transportation Corp. 3% serial notes due 1937/42:	
Sub-underwriting group—\$748,000 (3⅞%)	3,740.00
April 23, 1936: \$30,000,000 Youngstown Sheet and Tube Company cv. 3½% debentures due Feb. 1, 1951:	
Sub-underwriting group—\$1,333,000 (4⅔%) (half credit to E. B. Smith & Co.—2⅓%)	8,505.00
(Full profit \$17,010—divided between Kuhn Loeb and E. B. Smith & Co.)	
April 23, 1936: \$60,000,000 Youngstown Sheet and Tube Company first mtge. S. F. 4% bonds due May 1, 1961:	
Sub-underwriting group—\$2,667,000 (4⅔%) half credit to E. B. Smith & Co.—2⅓%	13,570.00
(Full profit \$27,140—divided between Kuhn Loeb and E. B. Smith & Co.)	
June 10/36: \$60,000,000 Southern Pacific Co. 10-year 3¾% sec. due July 1, 1946:	
Sub-underwriting group—\$1,250,000 (2½%)	17,812.50
June 30/36: \$50,000,000 Consolidated Oil Corp. conv. 3½% S. F. debentures due June 1, 1951:	
Buying group—\$2,000,000 (4%)	17,500.00
Aug. 6/36: \$20,000,000 Pennsylvania R. R. Co. Gen. Mtge. 3¾% series "C" due April 1, 1970:	
Sub-underwriting group—\$375,000 (1⅞%)	2,812.00
Sept. 18/36: \$20,000,000 Union Pacific R. R. 3½% debentures due October 1, 1970:	
Sub-underwriting group—\$600,000 (3%)	7,500.00
Nov. 10/36: \$25,000,000 Republic Steel Corp. Gen. Mtge. 4½% series C, due November 1, 1956:	
Buying group—\$375,000 (1½%)	24,219.00
Dec. 22/36: \$20,000,000 Armour & Co. of Delaware first mtge. 4% S. F. bonds, series "C" due Jan. 1, 1957:	
Buying group—\$750,000 (3¾%)	937.50
15 Deals—Avr. Int.—2¾%.	\$126,720.50

¹ There was a loss of \$14,001.25 on \$873,000 bonds sold by the N. T. D.² Our full participation was \$750,000, and the profit \$8,438, divided 50-50 between Kuhn Loeb and Field Glore. Same method applies to our percentage of 3% in the deal.

KUHNS LOEB & Co.—Continued

1937

Jan. 19/37: \$40,000,000 Tidewater Associated Oil Co. 3½%	
S. F. debentures due Jan. 1, 1952:	
Buying group \$2,000,000 (5%)	\$15,000
Feb. 16, 1937: 500,000 shs. Tide Water Associated Oil Co.	
\$4.50 cum. pfd. (without par value):	
Buying group—3,167 shs (6½%)	* 26,625
Apr. 15/37: \$52,670,700 Pennsylvania R. R. Co. conv. debentures 3¼% due April 1, 1952:	
Sub-underwriting group, \$1,250,000 (2%)	\$16,545.00
June 14/37: 74,950 shs. Inland Steel Co. common stock:	
Buying group—2,503 shs (3½%)	2,225.00
Total for 1937	<u>\$18,770.00</u>

2 deals—avr. 2.83%.

July 20/38: \$7,500,000 Industrial Rayon Corp. first mtge. S. F. 4½% series "A" due July 1, 1948:	
Buying group—\$800,000 (10⅔%)	9,000.00
(This business was also headed up by Brown Harriman, but we understand that the business came originally through Kuhn Loeb and that they suggested our name as second in the business.)	
Sept. 8/39: \$30,000,000 Youngstown Sheet & Tube Co. conv. 4% debentures due Sept. 1, 1948:	
Buying group—\$637,500 (2½%)	* 7,968.75
Total for 1938	\$16,968.75
2 deals—aver. int. 6⅔%.	

1939

April 25/39: \$50,000,000 National Steel Corporation first Mortgage (collateral) 3%, series April 1, 1965:	
Buying group—\$1,000,000 (2%)	* 8,750.00
June 27/39: \$25,000,000 Bethlehem Steel Corp. 3¼% cons. mtge. series "H" due July 1, 1959:	
Buying group—\$750,000 (3%)	6,562.50
July 29, 1935: \$15,000,000 Southern California Gas Company 1st mtge. & ref. 4s, due Aug. 1, 1965:	
We ceded them—\$1,000,000 (6⅔%)	12,500.00
Oct. 15/35: \$55,000,000 Anaconda Copper Mining Company 4½% S. F. debentures due Oct. 1, 1950:	
We ceded them—\$2,000,000 (3⅞%)	25,000.00
Total for 1939	<u>\$37,500.00</u>

Avr. percent: 5%—2 deals.

1936

Jan. 7/36: \$9,200,000 Revere Copper & Brass, Inc. first mtge. S. F. 4¼%, due Jan. 1, 1956:	
We ceded them—\$1,600,000 (17⅔%)	26,000.00
Mar. 24/36: \$90,000,000 Pacific Gas & Electric Company 3¼% mtge. bonds, ser. "H" due Dec. 1, 1961:	
We ceded them—\$7,500,000 (8⅓%)	56,250.00
Total for 1936	<u>\$82,250.00</u>
2 Deals—Avr. int. 12¾%.	

* Our position was completely dictated by the management, therefore no reciprocal credit is due.

† Original participation \$1,275,000, with \$15,937.50 profit, 4¼% interest, divided 50-50 between Kuhn Loeb and Smith Barney.

‡ This business was offered to us jointly by Kuhn Loeb and Harriman Ripley—\$2,000,000 (4%), profit \$17,500.

EXHIBIT No. 1658-3

[From the files of Blyth & Co., Inc.]

FIRST BOSTON CORPORATION

<i>1935</i>		
May 1/35: \$73,000,000 Southern California Edison 3¼s, due 1960:		
Buying group—\$7,500,000 (10¾%)-----	\$78,223.00	
June 10/35: \$15,500,000 San Diego Cons. Gas & Elec. first mtg. 4s, due 1965:		<i>Gross profit</i>
Buying group—\$1,550,000 (10%)-----		\$27,500.00
July 1/35: \$35,000,000 Southern California Edison Co. Ltd. ref. mtge. ser. "B", 3¼%, due 1960:		
Buying group—\$3,500,000 (10%)-----	\$26,250.00	
July 18/35: \$70,000,000 Duquesne Light Company first mortgage 3½%, due 1965:		
Buying group—\$3,500,000 (5%)-----		35,000.00
Aug. 12/35: \$76,000,000 Government of the Dominion of Canada 2½% due Aug. 15, 1945:		
Buying group—\$2,000,000 (2¾%)-----		20,000.00
Sept. 19/35: \$13,000,000 Southern California Edison Co., Ltd. 2½%, 3½% debentures due Sept. 1, 1936/40:		
Buying group—\$600,000 (4¾%)-----		² (4,000.00)
Sept. 19/35: \$14,500,000 Southern California Edison Co., Ltd. 3¾% debentures due Sept. 1, 195:		
Buying group—\$1,450,000 (10%)-----	³ \$11,625	
Sept. 19/35: \$30,000,000 Southern California Edison Co., Ltd. first & ref. mtge. 4%, due Sept. 1, 1960:		
Buying group—\$3,000,000 (10%)-----	³ \$25,625	
Nov. 14/35: \$15,600,000 Central Maine Power Co. first & genl. mtge. 4% due October 1, 1960:		
Buying group \$979,000 (6 3/11%)-----		10,050.00
Nov. 21/35: \$30,000,000 Kansas Power & Light Co. first 4½s, 1965:		
Buying group, \$2,000,000 (6¾%)-----	\$23,000.00	
Average int. 6.19% ⁴ deals.	Total for 1935-----	<u>\$92,550.00</u>

1936

Jan. 14/36: \$48,000,000 Government of the Dominion of Canada 3¼% bonds due January 15, 1961:		
Buying group, \$1,220,000 (2½%)-----		14,105.00
April 6/36: \$13,500,000 California-Oregon Power Company first mtge. 4% bonds due April 1, 1966:		
Buying group, \$1,200,000 (8 8/9%)-----		15,000.00
April 20/36: \$10,500,000 Wisconsin Gas & Electric Company 3½% mtge. due April 1, 1966:		
Buying group, \$750,000 (7 1/7%)-----		
Mar. 26/36: \$75,000,000 Eastern Gas & Fuel Associates 4% mtge. & coll. trust bonds due March 1, 1956:		
Buying group, \$1,500,000 (2%)-----		⁵ 9,375.00
July 30/36: \$14,500,000 Southern Kraft Corp. first leasehold & genl. mtge. 4¼% due June 1, 1946:		
Buying group, \$1,500,000 (10¼%)-----		16,875.00
July 31/36: \$10,500,000 Wisconsin Michigan Power Co. first mtge. 3¾% due July 15, 1961:		
Buying group, \$750,000 (7 1/7%)-----		6,562.00
June 15/36: \$25,000,000 Commercial Credit Co. 4¼% cumulative conv. preferred stock:		
Buying group, 3,500 shares (1 2/5%)-----		⁶ 6,125.00

¹No obligation here as our position was dictated by the Southern California Edison Company.

(No reciprocal obligation as we participated at the direction of the Southern California Edison Company.)

²No reciprocal obligation, as the Company dictated our participation.

³Our total Buying Group position was \$3,000,000—4%—divided equally between First Boston & Mellon Securities.

⁴Total interest 7,000 shs., 2¼%, profit \$12,250, divided 50-50 between First Boston & Kidder Peabody.

FIRST BOSTON CORPORATION—Continued

1936

Oct. 8/36: \$30,000,000 Commercial Credit Co. 3¼% debentures due October 1, 1951:		<i>Gross profit</i>
Buying group, \$500,000 (1½%)-----		^s \$4,375.00
Oct. 26/36: \$14,000,000 Central Maine Power Co. first & genl. mtge. ser. "H" 3½% due Aug. 1, 1966:		
Buying group, \$900,000 (6 3/7%)-----		6,750.00
Dec. 15/36: \$9,000,000 Missouri Power & Light Co. first mtge. 3¾% bonds due Dec. 1, 1966:		
Buying group—\$25,000 (9½)-----	\$3,250	
Dec. 15/36: 15,000 shs. Missouri Power & Light Company \$6 cumulative preferred stock:		
Buying group—1,350 shs (9%)-----	\$1,250	
8 deals—Average interest 5%. Total for 1936-----		<u>\$79,167.00</u>

1937

June 16/37: \$35,000,000 Commercial Credit Company 2¾% debentures due June 15, 1942:		
Buying group—\$500,000 (1¾%)-----		^s \$2,625.00
Oct. 6/37: \$18,000,000 Idaho Power Company first mtge. 3¾% bonds due October 1, 1967:		
Buying group—\$500,000 (2½%)-----		3,750.00
Total for 1937-----		<u>\$6,375.00</u>
2 Deals—Avr. int. 2.10%.		

1938

Aug. 10/38: \$30,000,000 the Toledo Edison Co. first mtge. 3½%, due July 1, 1968:		
Buying group—\$1,000,000 (3½%)-----		10,000.00
Sept. 8/38: \$25,000,000 Phillips Petroleum Co. convertible 3% debentures, due Sept. 1, 1948:		
Buying group—\$1,000,000 (4%)-----		10,000.00
Total for 1938-----		<u>\$20,000.00</u>
Avr. int.—3½%—2 deals.		

1939

Apr. 24/39: \$52,500,000 Gatineau Power Co. first mortgage 3¾% series "A", due April 1, 1969:		
Buying group—\$1,155,000 (2½%)-----		7,335.00
July 26/39: \$26,500,000 Kansas Power & Light Co. first mortgage 3½% series, due 1969:		
Buying group—\$600,000 (2½%)-----		^r 6,000.00

1935

June 26/35: \$30,000,000 Pacific Gas & Electric Co. first & ref. mtge. bonds, 4%, ser. "G", due 1964:		
We ceded them \$2,700,000 (9%)-----		20,250.00
July 29/35: \$15,000,000 Southern California Gas Co. first mtge. & ref. 4% bonds due Aug. 1, 1965:		
We ceded them \$1,250,000 (8½%)-----		15,625.00
Oct. 15/35: \$55,000,000 Anaconda Copper Mining Co. 4½% S. F. debentures due Oct. 1, 1950:		
We ceded them \$4,000,000 (7½%)-----		50,000.00
Nov. 18/35: \$40,000,000 Los Angeles Gas & Elec. Corp. first & genl. mtge. 4%, due 1970:		
We ceded them—\$2,500,000 (6¼%)-----		28,125.00
Total for 1935-----		<u>\$114,000.00</u>

Avr. %—7½%—4 deals.

^s Total profit \$8,750, divided 50-50 between K. P. and First Boston. Total participation \$1,000,000.^r Entire interest \$1,000,000, profit \$5,250—divided 50-50 between First Boston & Kilder Peabody.^t Total interest and profit—\$1,200,000, 4½%—\$12,000 divided 50-50 bet. First Boston & Dillon Read.

FIRST BOSTON CORPORATION—Continued

1936

Mar. 24/36: \$90,000,000 Pacific Gas & Electric Co. 3¾% mtge. bonds, ser. "H", due Dec. 1, 1961:	<i>Gross profit</i>
We ceded them \$8,000,000 (8¾%)	\$60,000.00
Apr. 28/36: \$30,000,000 Pacific Gas & Electric Co. first & ref. mtge. ser. "H" 3¾%, due Dec. 1, 1961:	
We ceded them \$3,700,000 (12½%)	27,750.00
Oct. 22/36: \$35,000,000 Pacific Gas & Electric Co. first & ref. mtge. 3½% bonds, ser. I, due June 1, 1966:	
We ceded them \$4,300,000 (12¼%)	37,625.00
Total for 1936	<u>\$125,375.00</u>

2 deals—Avr. int.—10½%.

1937. None.

1938. None.

1939.

May 12/39: 200,000 Shs. Pacific Lighting Corp. \$5 preferred stock:	
We ceded them—20,000 shs. (10%)	12,500.00

EXHIBIT No. 1658-4

[From the files of Blyth & Co., Inc.]

DILLON, READ & Co.

1935

May 2/35: \$7,500,000 Union Oil Company of California 4% convertible debentures due 1947:	<i>Gross profit</i>
Buying Group—\$750,000 (10%)	\$11,400.00
May 2/35: \$6,000,000 Union Oil Company of California serial debentures 1¼% to 3¼%, due 1936/40:	
Buying Group—\$600,000 (10%)	4,500.00
(Our \$600,000 interest was sold for Syndicate Account at 100 and ¼ allowed offices based on index.)	
July 15/35: \$40,000,000 Cleveland Electric Illuminating Company general mortgage 3¾%, due July 1, 1965:	
Buying Group—\$2,000,000 (5%)	\$20,000.00
Oct. 29/35: 235,225.4 shares Cleveland Elec. Illuminating Company \$4.50 preferred stock:	
Buying Group—14,113 shs. (6%) ¹	\$19,056.00
Nov. 21/35: \$30,000,000 Kansas Power & Light Company first 4½s due 1965:	
Buying Group—\$2,000,000 (6¾%)	\$24,268.75
Average int. 10%—2 deals.	
Total for 1935	<u>\$15,900.00</u>

1936

Jan. 3/36: \$9,000,000 Skelly Oil bonds, and \$3,000,000 serials:	
Dillon Read offered us a 10% interest, but we declined due to market judgment.	
Feb. 25/36: \$15,000,000 Loew's, Inc. 3½% S. F. debentures due 2/15/46:	
Buying Group—\$1,875,000 (12½%)	\$16,015.00
June 16/36: \$60,000,000 The Texas Corporation 3½% debentures due 6/15/51:	
Buying Group—\$3,400,000 (5¾%)	25,800.00
Total for 1936	<u>\$41,815.00</u>

Aver. Int. 9:40%—3 Deals offered.

DILLON, READ & Co.—Continued

1937

Jan. 5/37: \$10,000,000 Union Oil Co. of California 3½% debentures due January 1, 1952:		
Buying Group—\$1,000,000 (10%)		Gross profit *\$8,215.00
*(Our position in this business was dictated by the Company Officials, and we therefore owe no reciprocity.)		
June 28/37: \$80,000,000 Union Electric Co. of Missouri first mtge. & coll. trust 3¾% bonds due July 1, 1962:		
Buying Group—\$3,800,000 (4¾%)	28,500.00	
NOTE.—We had between a 6% and 7% position in the past three or four issues of Union Electric Company financing—both bonds and notes.		
June 28/37: \$15,000,000 Union Electric Co. of Missouri 3% notes due July 1, 1942:		
Buying Group—\$1,320,000 (8¾%)	4,950.00	
NOTE.—We had between a 6% and 7% position in the past three or four issues of Union Electric Company financing—both bonds and notes.		
Total for 1937		<u>\$33,450.00</u>

2 deals—Avr. int. 6.77%.

1938

May 26/38: \$16,500,000 San Antonio Public Service Co. first mtge. 4% due April 1, 1963:		
Buying Group—\$485,000 (.029%)*		*\$4,243.75
*(Total interest—\$970,000—5⅞%—\$8,487.50 profit, divided 50-50 between Mellon Securities and Dillon, Read & Co.)		
May 26/38: \$2,500,000 San Antonio Public Service Co. 4% notes due serially:		
Buying Group—\$73,500 (.029%)*		*735.00
*(Total interest—\$147,000—5⅞%—\$1,470.00 profit, divided 50-50 between Mellon Securities and Dillon, Read & Co.)		
Oct. 6/38: \$34,000,000 Michigan Consolidated Gas Co., 1st Mtge. 4% bonds due Sept. 1, 1963:		
Buying Group—\$1,000,000 (3%)		*\$8,750.—
*Mellon Securities also headed this business, but our interest was offered to us by Dillon Read.		
Oct. 21/38: \$55,000,000 The Ohio Power Co. 1st Mtge. 3¼% bonds due Oct. 1, 1968:		
Buying Group—\$1,500,000 (2⅞%)	11,250.00	
Oct. 25/38: \$55,000,000 Wisconsin Electric Power 1st Mtge. 3½% bonds due October 1, 1968:		
Buying Group—\$1,750,000 (3%)	13,125.00	
Oct. 6/38: \$8,000,000 Michigan Consolidated Gas Co. 4% serial notes due 1939-1948:		
Buying Group—\$171,500 (2⅞%)		*1,063.75
*(Original interest \$343,000 (4¼%)—profit \$2,127.50, divided 50-50 between Dillon Read and Mellon Securities.)		
Dec. 7/38: 375,000 Shs. North American Co. common stock (not a new issue):		
Buying Group—12,000 shs. (3⅞%)	6,000.00	
Nov. 28/38: 130,000 Shs. Union Electric Co. of Missouri \$5 preferred (no par value):		
Buying Group—6,500 Shs. (5%)	6,362.12	
Total for 1938		<u>\$51,529.62</u>

Avr. Int. 3% approx.—8 Deals.

1939

Feb. 1/39: 696,580 shs. The North American Co. 5¾% preferred stock:		
Buying Group—24,500 Shares (3½%)		\$13,781.00

DILLON, READ & Co.—Continued

1939

Feb. 1/39: \$20,000,000 The North American Co. 3½% debentures, due February 1, 1949:	<i>Gross profit</i>
Buying Group—\$700,000 (3½%)-----	\$5,250.00
Feb. 1/39: \$25,000,000 The North American Company 3¾% debentures due February 1, 1954:	
Buying Group—\$875,000 (3½%)-----	7,656.00
Feb. 1/39: \$25,000,000 The North American Company 4% debentures due February 1, 1959:	
Buying group—\$875,000 (3½%)-----	8,750.00
Apr. 12/39: \$40,000,000 The Texas Corporation 3% debentures due April 1, 1959:	
Buying Group—\$2,000,000 (5%)-----	17,500.00
July 26/30: \$26,500,000 Kansas Power & Light Co. First Mortgage 3½% Series, due 1969:	
Buying Group—\$600,000 (2½%)-----	6,000.00
*(Total interest and profit—\$1,200,000—4½%—\$12,000 divided 50-50 bet. First Boston and Dillon Read.)	
Nov. 1935: \$40,000,000 Los Angeles Gas & El. 4s, due 1970:	
We ceded them an interest of-----	*\$2,000,000 (5)
*They declined as they only appear in business which they head (unless they have a silent position which they were not granted in this instance).	
Total for 1935—No actual profit.	

1936

Mar. 24/36: \$90,000,000 Pacific Gas & Electric Co. 3¾% mtge. Bonds series "H" due Dec. 1, 1961:	
We ceded them \$7,500,000 (8½%)-----	\$56,250.00

SUPPLEMENTAL DATA

The following documents are included at this point in connection with the testimony regarding the Chicago Union Station Company, supra, p. 11452.

EXHIBIT No. 1670¹

LEE HIGGINSON CORPORATION
37 Broad Street, New York

NEW YORK
BOSTON
CHICAGO

DECEMBER 13, 1939.

Mr. PETER R. NEHEMKIS, Jr.,
*Special Counsel, Investment Banking Section,
Monopoly Study, Securities & Exchange Commission,
Washington, D. C.*

DEAR MR. NEHEMKIS: In accordance with your request made yesterday at the hearing, I wish to advise you that my associate, Mr. N. Penrose Hallowell, remembers distinctly discussing Chicago Union Station underwriting with Mr. Harold Stanley of the firm of Morgan, Stanley & Co., and he also feels reasonably sure that the partner in J. P. Morgan & Co. with whom he discussed this business in the early part of 1935 was Mr. Arthur M. Anderson.

Sincerely yours,

E. N. JESUP.

ENJ: R

EXHIBIT No. 1756²

[From the files of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company.
Memorandum by W. W. K. Sparrow]

When I had my meeting with Commissioner Meyer and Commissioner Mahaffie and Director Sweet in Washington on March 22nd, in connection with the refinancing of \$16,000,000 of Chicago Union Station Company 6½% First Mortgage Bonds, I told them that I had the previous day agreed with the bankers, on behalf of the Station Company, to sell them, subject to the approval of the Commission, \$16,000,000 of Chicago Union Station Company First Mortgage 4% Bonds, at a price of 98½, and \$2,100,000 of Guaranteed 4% Bonds, at a price of 99, both issues to be offered to the public at 101. I told them I believed this was a good price and that Mr. County, who had been a party to the transaction, thought the same. Director Sweet expressed his opinion that the price was a very good one.

I explained to Division 4 that while we could sell the bonds subject to the approval of the Commission and there was no commitment made until we had the Commission's approval that did not hold true as to making the call of the outstanding bonds. We could not call the bonds subject to the approval of the Commission and, therefore, before issuing the call I had to have the assurance of the Commission that this financing had its approval and that the order would be forthcoming.

Commissioner Mahaffie raised the question of competitive bidding. He said there were several firms that were quite active in urging the Commission that it should require competitive bidding that it was quite likely that when this offer became public some of them would make representations to the Senate

¹ Introduced December 15, 1939. See Hearings, Part 23, p. 11862.

² Introduced on December 19, 1939. Hearings, Part 23, p. 12046.

Committee that here was a case where the Commission should have required competitive bidding. My answer to this was that the last date for publication of the call was April 1st; that there was not sufficient time between now and that date to take competitive bids. Commissioner Meyer inquired as to what I would have to say if I was asked why we had not started the thing earlier and allowed ourselves time to take competitive bids. In answer to that I said we could not start on this until the decision in the Gold Case had been handed down by the Supreme Court, because prior to that it was impossible to talk about selling bonds to anybody; that I had been working on the thing as actively as possible since the decision was handed down and that I could not have gotten the matter in shape for presentation any earlier than I had. I was given to understand quite definitely that on the facts as stated the plan had the approval of Division 4 and that I could go ahead with the sale of the new bonds and the calling of the outstanding bonds.

Last Tuesday night in New York Mr. Fairman Dick told me the bonds were being quoted on the street at 104 to 104 $\frac{1}{4}$. The next day, Wednesday, Mr. Marony confirmed this and said brokers were offering them at about those prices. On my arrival this morning I checked with Mr. Marony as to the prices, and he called me back to confirm that they were ranging from 103 $\frac{3}{4}$ bid to 104 $\frac{1}{4}$ asked.

I decided, first, as to my duty (which no one could decide but myself) that the fair and honest thing for me to do in the circumstances before I allowed the call to go out, on the basis of the understanding I already had with Commissioners Meyer and Mahaffie, was to see that they at least knew about the prices at which these bonds were being quoted on the street; second, I concluded that I was taking considerable risk in permitting the Station Company to issue the notice of call without the order of the Commission because in that event the Commission might feel I had not dealt with them fairly and refuse to issue the order, leaving the Station Company with a commitment of \$17,600,000 without means of meeting it.

I, therefore, called up Commissioner Mahaffie at noon today. I referred to the meeting I had with him, Commissioner Meyer, and Director Sweet last Friday in the matter of the Station Company bonds and the price at which we agreed they should be sold to the bankers, which I represented to them as a good price and which the Director had confirmed. I told them I had the Division's assurance that the order would be forthcoming and that I could proceed with the calling of the bonds; that notice had to be given to the press in New York and Chicago by Saturday noon for publication Monday morning; that I had heard before leaving New York yesterday afternoon that these bonds were being quoted on the street at around 104. I said these prices, of course, were unofficial and irregular as the bonds could not, I understood, be regularly traded in until after they had been delivered; that the amounts were probably small and, of course, no one could say what the price might be next week; that in my opinion the price we had received for the bonds was a good one and they would probably be selling much lower when the next call date came around, which was October 1st. I further stated this was one of the first refunding operations put on the market and that with the amount of offerings now hanging over the market the appetite later on would be less keen; furthermore, I thought there was every likelihood of several railroad receiverships taking place between now and next October, which I thought would quite seriously affect the price of these bonds. I said, therefore, I wanted to make it quite clear that I was still quite strongly of the opinion the plan should be carried out and not in any way influenced by the fact that there were unofficial quotations for these bonds on the street at the prices referred to. I said, however, I thought it was only fair to him and Commissioner Mayer that I saw to it that they were acquainted with these facts. Commissioner Mahaffie asked me if the bonds had already been sold. I told him they had and that a contract with the bankers had been signed by General Atterbury as President of the Station Company on Friday, March 22nd; that the bankers had put out their circulars offering the bonds subject to the provisions of the Bankers' Code on the same date, the offering by the bankers for both issues being 101. Commissioner Mahaffie asked me as to the call future of the bonds. I told him the new issue of First Mortgage Series "D" bonds may be redeemed in whole but not in part at the option of the company on any interest date on and after July 1, 1940, at 105 and accrued interest on ninety days' notice. The Commissioner said he thanked me for calling his attention to this. I told him I wished he would use his own channels for checking up and confirming the information as to the prices at which the bonds were being offered on the street, and in what quantities, and get his own independent data. He said he would do this. I then

left it with him that unless I heard from him before tomorrow night that there was a change in their plans I would proceed to issue the call.

I telephoned Mr. County as soon as I could get in touch with him about 3:00 P.M., and advised him what I had done. I also advised Mr. Geo. Bovenizer, of Kuhn, Loeb & Co. I also informed Mr. Scandrett, who was in Washington, over the telephone.

Mr. County did not agree with me as to the necessity of taking the action I did. He said he thought I should have gone ahead and put out the call. I told him that was a matter I had decided myself as to what I thought the proper and honest thing to do. I also told him my understanding with Commissioner Mahaffie was if I heard nothing from the Commission as to any change in the original plans the call would go out Saturday, and if I heard from the Commission that they would not issue the order the call would not go out.

(Signed) W. W. K. SPARROW.

CHICAGO, MARCH 28, 1935.

(Friday, March 29th)

I telephoned Mr. Pierpont Davis this morning and advised him of my action. He said I had done what he would have expected me to do and he fully understood and appreciated my reasons for doing so. I explained the matter to Mr. Budd on his arrival this morning. He said he thought I had not only taken the proper course but a wise one and it had his full approval.

(Signed) W. W. K. S.

EXHIBIT No. 1759-1¹

[Letter from Investment Banking Section, Monopoly Study, Securities and Exchange Commission, to George W. Bovenizer, Kuhn, Loeb & Co.]

MR. GEORGE W. BOVENIZER,

DECEMBER 14, 1939.

*Kuhn, Loeb & Co., 52 William Street,
New York, New York.*

DEAR MR. BOVENIZER: In your testimony before the Temporary National Economic Committee on December 12 relative to the \$6,150,000 Chicago Union Station Co. first mortgage bonds 5% Series B, dated January 1, 1919, due July 1, 1963, and offered in May 1922, the following appears:

"MR. NEHEMKIS. The percentage participations, Mr. Bovenizer, on the interest divided up by Kuhn, Loeb were exactly the same as in the preceding issue, in other words KL took 33 per cent, National City took 16.

"MR. BOVENIZER. The percentage figures are right but the dollars are wrong.

"MR. NEHEMKIS. Would you be good enough to let me have the correct information?

"MR. BOVENIZER. Yes.

"MR. JESUP. This checks with the information I have.

"MR. NEHEMKIS. We can correct that at a little later time.

"Acting Chairman REECE. It may be admitted subject to correction of the figures.

"(The Chicago Union Station Company data on \$6,150,000 First Mortgage Issue, 5 per cent, Series B, was received in evidence, and marked Exhibit No. 1555.)"

The percentages and amounts referred to are as follows:

Kuhn, Loeb & Co. \$3,075,000 (50%)	{	Kuhn, Loeb & Co. \$2,050,000 (33.33%).
		National City Co. \$1,025,000 (16.67%).

My staff has checked on the figures again from the percentages which you stated were correct, and on the basis of their calculations the amounts seem to be correct as well. 33½% of \$6,150,000 is \$2,050,000 and 16.67% of \$6,150,000 is \$1,025,000, which are the amounts stated in the exhibit to be the participations of Kuhn, Loeb & Co. and the National City Co. in the half interest of Kuhn, Loeb & Co. in this issue.

In accordance with my request at the hearing, may I ask that you be kind enough to confirm this calculation or supply a correct amount from your own books, with an explanation of the method by which it was arrived at.

Your assistance in this matter, as well as at the hearings, is appreciated.

Sincerely yours,

PETER R. NEHEMKIS, Jr.,

Special Counsel, Investment Banking Section, Monopoly Study.

SMK: FL

¹ Introduced in record on December 19, 1939, see Hearings, Part 23.

EXHIBIT No. 1759-2¹

[Letter from Geo. W. Bovenizer, Kuhn, Loeb & Co., to Investment Banking Section,
Monopoly Study, Securities and Exchange Commission]

KUHN, LOEB & Co.

William and Pine Streets

NEW YORK, December 18, 1939.

PETER R. NEHEMKIS, JR., Esq.,
*Special Counsel, Investment Banking Section,
Monopoly Study, Securities and Exchange Commission,
1778 Pennsylvania Avenue, Washington, D. C.*

DEAR MR. NEHEMKIS: I have your letter of the 14th instant in connection with my testimony of the other day on Chicago Union Station bonds and I find upon further examination that your figures are quite correct, not only as to percentage but as to amount also.

Regretting that my error should have caused you this additional trouble and with appreciation of your courtesy, I am

Sincerely yours,

GEO. W. BOVENIZER.

O/J

MARCH 15, 1940.

CHICAGO UNION STATION COMPANY,
210 South Canal Street, Chicago, Illinois.

GENTLEMEN: In connection with our studies of investment banking which the Commission has been directed to undertake by the Temporary National Economic Committee, established pursuant to Public Resolution No. 113, 75th Congress, will you be good enough to make available to us the following:

(1) A list of the firms to whom invitations to bid were extended on the \$16,000,000 3½% Bonds;

(2) Copies of the replies received in response to your invitation;

(3) The details of the bids received.

Will you also furnish us with a statement setting forth the reasons for the rejection of the bids submitted.

The Wall Street Journal of this date reports that Kuhn Loeb & Co. had offered a negotiated price of 101½ for the bonds as 3½s some time in February. Will you be good enough to furnish us with a statement describing these negotiations together with the reasons which led to the request for bids.

Sincerely yours,

PETER R. NEHEMKIS, JR.,
*Special Counsel,
Investment Banking Section, Monopoly Study.*

PRNehekis: lb

CHICAGO UNION STATION COMPANY
BROAD STREET STATION BUILDING
1617 Pennsylvania Boulevard

PHILADELPHIA, April 8, 1940.

PETER R. NEHEMKIS, JR., Esq.
*Special Counsel, Investment Banking Section—Monopoly Study,
Securities and Exchange Commission, Washington, D. C.*

DEAR SIR: In compliance with the request contained in your letter of March 15, 1940, addressed to the Chicago Union Station Company at 210 South Canal Street, Chicago, Ill., which was acknowledged by me on March 20, 1940, I am supplying to you the following information:

There is forwarded herewith a list of 107 bankers, banks and insurance firms to whom invitations to bid were extended on the proposed issued of \$16,000,000, principal amount, First Mortgage Bonds of the Chicago Union

¹ Idem.

Station Company, the said bonds to be of Series "F" and to bear interest at the rate of $3\frac{1}{8}\%$ per annum. A copy of letter of invitation to bid, mailed on March 5, 1940, to the said 107 bankers, banks and insurance firms is also forwarded.

There also are enclosed copies of the following letters received in reply to the invitation, but which were not accompanied by bids:

Letter of March 8, 1940, from Morgan, Stanley & Company, Inc., in New York City; letter of March 9, 1940, from Stern, Wampler & Company, Inc., in Chicago; letter of March 6, 1940, from Freeman & Company, in New York City; letter of March 7, 1940, from Goldman, Sacks & Company, in New York City; letter of March 6, 1940, from Evans, Stillman & Company, in New York City.

In addition, there is enclosed a copy of a bid received on March 12, 1940, from Halsey, Stuart & Company and associates, this being the only bid received. The details will be found in the letter of invitation and the bid.

The bid of Halsey, Stuart & Company and associates was rejected because it was deemed too low for bonds of the high rating these bonds enjoy. They not only are secured by a first lien on the properties of the Station Company but are guaranteed, by endorsement, jointly and severally, by the Chicago, Burlington & Quincy Railroad Company, The Pennsylvania Railroad Company, The Pittsburgh, Cincinnati, Chicago and St. Louis Railroad Company, and the Trustees of the Chicago, Milwaukee, St. Paul & Pacific Railroad Company, which are the proprietors of the Station Company.

The purpose was to reduce fixed charges by refunding \$16,000,000, principal amount, of Series "D" First Mortgage Bonds, issued in 1935, bearing interest at 4% per annum, which were subject to call on April 1, 1940, for redemption on July 1 1940, at 105.

Since Kuhn, Loeb & Company and associates had purchased all past issues of First Mortgage Bonds of the Station Company, conferences commencing in December, 1939, were had with that firm, and early in February an offer was made by them to purchase new Series "F" bonds, bearing an interest rate of $3\frac{1}{4}\%$ per annum, at 101½. This was on a basis of 3.16 to the Company and was regarded as an attractive offer.

Inasmuch, however, as the issuance of new Series "F" bonds would require the approval of the Interstate Commerce Commission, it was deemed advisable to have an informal conference with members of that Commission in the hope of obtaining an expression from them with regard to the method of sale; and on February 26, 1940, a representative of the Station Company conferred informally with certain members of the Commission who expressed the thought that the proposed issue was one which might lend itself particularly to competitive bidding.

Subsequently, the Board of Directors of the Station Company approved the issuance of $3\frac{1}{8}\%$ bonds and authorized the invitation for competitive bids which was mailed on March 5, 1940, to the 107 bankers, banks and insurance firms.

After the unsatisfactory bid of Halsey, Stuart & Company and associates had been received, prices in the bond market softened, and there was no reason to believe that a more favorable bid would be received if another invitation to bid were extended. It was then decided that, in the interest of the Station Company, of the public served by that Company, and of the proprietary companies, the bid should be rejected and an effort should be made to enter into a contract with Kuhn, Loeb & Company at a price that would approximate the more attractive basis which they had offered early in February for $3\frac{1}{4}\%$ bonds and which it was believed that the bonds merited.

After the rejection of the bid of Halsey, Stuart & Company and associates, such a contract was made with Kuhn, Loeb & Company, Lee Higginson Corporation, and Harriman, Ripley & Company, Inc., in which those firms and associates agreed to purchase the bonds, subject to the approval of the Interstate Commerce Commission, at 99.43. This was the same basis for $3\frac{1}{8}\%$ bonds that had been offered early in February for $3\frac{1}{4}\%$ bonds. The associates in this transaction were Smith, Barney & Company, Glore, Forgan & Company, The First Boston Corporation, White, Weld & Company, Lazard Frères & Company, and Morgan, Stanley & Company.

Up to and including the time of the execution and delivery of the said contract and the time of filing with the Interstate Commerce Commission of a supplemental application setting forth facts with respect to such contract, the price which has been offered by Halsey, Stuart & Company and associates had not been made public or disclosed by any officer or representative of the Station

Company to Kuhn, Loeb & Company or any member of the purchasing syndicate.

By its report and order of March 23, 1940, in Finance Docket No. 12797, a copy of which is forwarded herewith, the Interstate Commerce Commission approved the issue; and the bonds have been delivered by the Station Company and settlement has been made in full by the purchasers. There also is enclosed herewith a copy of the proceedings at a public hearing held by the Interstate Commerce Commission on March 23, 1940.

Yours very truly,

M. W. CLEMENT,
President.

LIST OF BANKERS, BANKS, AND INSURANCE COMPANIES INVITED TO BID ON
\$16,000,000 CHICAGO UNION STATION COMPANY FIRST MORTGAGE, SERIES "F",
3½% BONDS

Date Mailed: Mar. 5, 1940.

Bancamerica-Blair Corporation, 44 Wall Street, New York, N. Y.
Bank for Savings in the City of New York, 280 Fourth Avenue, New York, N. Y.
Bankers Trust Company, New York, N. Y.
Bear, Stearns & Company, 1 Wall Street, New York, N. Y.
A. G. Becker & Co., 100 South LaSalle Street, Chicago, Ill.
Beneficial Savings Fund, 1200 Chestnut Street, Philadelphia, Pa.
Biddle, Whelen & Co., 1606 Walnut Street, Philadelphia, Pa.
Blyth & Co., Inc., 135 South LaSalle Street, Chicago, Ill.
Bowery Savings Bank, 110 East 42nd Street, New York, N. Y.
Alex. Brown & Sons, 135 South LaSalle Street, Chicago, Ill.
Calvin Bullock, 120 South LaSalle St., Chicago, Ill.
Cassatt & Co., Incorporated, Commercial Trust Building, Philadelphia, Pa.
Central Savings Bank, Broadway and 73rd Street, New York, N. Y.
Chase National Bank, New York, N. Y.
Chemical Bank and Trust Co., New York, N. Y.
Clark, Dodge & Co., 61 Wall Street, New York, N. Y.
E. W. Clark & Co., Locust at 16th Street, Philadelphia, Pa.
Coffin & Burr, Inc., Boston, Mass.
Curtis & Sanger, Boston, Mass.
R. L. Day & Co., 14 Wall Street, New York, N. Y.
C. J. Devine & Co., Inc., 135 South LaSalle Street, Chicago, Ill.
Dick & Merle-Smith, 30 Pine Street, New York, N. Y.
R. S. Dickson & Co., Charlotte, N. C.
Dillon, Read & Co., 28 Nassau Street, New York, N. Y.
Dime Savings Bank of Brooklyn, 9 DeKalb Avenue, Brooklyn, N. Y.
Dominick & Dominick, 115 Broadway, New York, N. Y.
Dry Dock Savings Institution, 341 Bowery, New York, N. Y.
Emigrant Industrial Savings Bank, 51 Chambers Street, New York, N. Y.
Estabrook & Co., 40 Wall Street, New York, N. Y.
Eastman, Dillon & Co., 15 Broad Street, New York, N. Y.
Evans, Stillman & Co., 14 Wall Street, New York, N. Y.
The First Boston Corporation, Syndicate Dept., 231 South LaSalle St., Chicago, Ill.
First of Michigan Corporation, 135 South LaSalle St., Chicago, Ill.
The First National Bank of Chicago, 33 South Dearborn St., Chicago, Ill.
The First National Bank of the City of New York, 2 Wall Street, New York, N. Y.
Freeman & Company, 30 Pine Street, New York, N. Y.
Glore, Forgan & Company, 123 South LaSalle St., Chicago, Ill.
Goldman, Sachs & Co., New York, N. Y.
Graham, Parsons & Co., 1422 Walnut Street, Philadelphia, Pa.
Gregory & Son Co., Inc., 40 Wall Street, New York, N. Y.
Guaranty Trust Company of New York, New York, N. Y.
Hallgarten & Co., 120 South LaSalle St., Chicago, Ill.
Halsey, Stuart & Co., Inc., 201 South LaSalle St., Chicago, Ill.
Harriman, Ripley & Co., Inc., 135 South LaSalle St., Chicago, Ill.
Harris, Hall & Company, Inc., 111 West Monroe St., Chicago, Ill.
Harris Trust and Savings Bank, 115 West Monroe St., Chicago, Ill.
Harrison & Co., Fidelity-Phila. Trust Bldg., Philadelphia, Pa.

Hayden, Miller & Co., Union Trust Building, Cleveland, Ohio
 Hayden, Stone & Co., 25 Broad Street, New York, N. Y.
 Hemphill, Noyes & Co., 15 Broad Street, New York, N. Y.
 Hornblower & Weeks, 39 South LaSalle St., Chicago, Ill.
 W. E. Hutton & Co., 14 Wall Street, New York, N. Y.
 The Illinois Company of Chicago, 231 South LaSalle Street, Chicago, Ill.
 Jackson & Curtis, New York, N. Y.
 Janney & Co., 1529 Walnut Street, Philadelphia, Pa.
 Kean, Taylor & Co., 14 Wall Street, New York, N. Y.
 Kidder, Peabody & Co., 135 South LaSalle Street, Chicago, Ill.
 Kissel, Kinnicutt & Co., New York, N. Y.
 Kuhn, Loeb & Co., Williams and Pine Streets, New York, N. Y.
 Ladenburg, Thalmann & Co., New York, N. Y.
 Lazard Freres & Company, Inc., 135 South LaSalle Street, Chicago, Ill.
 Lee Higginson Corporation, 231 South LaSalle St., Chicago, Ill.
 Lehman Brothers, 231 South LaSalle St., Chicago, Ill.
 Mackubin, Legg & Company, 222 E. Redwood Street, Baltimore, Md.
 Laurence M. Marks & Co., 49 Wall Street, New York, N. Y.
 McMaster Hutchinson & Co., 105 South LaSalle Street, Chicago, Ill.
 Mellon Securities Corporation, Pittsburgh, Pa.
 Morgan Stanley & Co., Inc., 2 Wall Street, New York, N. Y.
 F. S. Moseley & Co., 135 South LaSalle Street, Chicago, Ill.
 National City Bank, New York, N. Y.
 W. H. Newbold's Son & Co., 1517 Locust Street, Philadelphia, Pa.
 The Northern Trust Company, N. W. Cor. LaSalle & Monroe Sts., Chicago, Ill.
 Otis & Company, 105 West Adams Street, Chicago, Ill.
 Paine, Webber & Co., 25 Broad Street, New York, N. Y.
 R. W. Pressprich & Co., 135 South LaSalle Street, Chicago, Ill.
 E. H. Rollins & Sons, Inc., 231 South LaSalle Street, Chicago, Ill.
 Roosevelt & Son, 30 Pine Street, New York, N. Y.
 L. F. Rothschild & Co., 120 Broadway, New York, N. Y.
 Salomon Bros. & Hutzler, 60 Wall Street, New York, N. Y.
 J. & W. Seligman & Co., 54 Wall Street, New York, N. Y.
 Smith, Barney & Co., 105 West Adams Street, Chicago, Ill.
 Spencer, Trask & Co., New York, N. Y.
 Speyer & Co., New York, N. Y.
 Stein Bros. & Boyce, 6 South Calvert Street, Baltimore, Md.
 Lawrence Stern & Co., 231 South LaSalle Street, Chicago, Ill.
 Edward Lowber Stokes & Co., 1708 Locust Street, Philadelphia, Pa.
 Stone & Webster & Blodget, Inc., 33 South Clark Street, Chicago, Ill.
 Stroud & Company, Inc., 1429 Walnut Street, Philadelphia, Pa.
 United States Trust Co., New York, N. Y.
 White, Weld & Co., 40 Wall Street, New York, N. Y.
 Whiting, Weeks & Knowles, Inc., Boston, Mass.
 Williamsburgh Savings Bank, 1 Hansen Place, Brooklyn, N. Y.
 Dean Witter & Co., New York, N. Y.
 Wood, Struthers & Co., 20 Pine Street, New York, N. Y.
 Yarnall & Co., 1528 Walnut Street, Philadelphia, Pa.
 Aetna Life Insurance Co., Hartford, Conn.
 Connecticut Mutual Life Insurance Co., Hartford, Conn.
 Equitable Life Assurance Society of the United States, Henry Greaves, Treasurer, 393 Seventh Avenue, New York, N. Y.
 Metropolitan Life Insurance Co., F. W. Ecker, Vice President, 1 Madison Avenue, New York, N. Y.
 Mutual Benefit Life Insurance Co., Milo W. Wilder, Jr., Treasurer, 300 Broadway, Newark, N. J.
 Mutual Life Insurance Co. of New York, Dwight S. Beebe, Vice Pres. & Fin. Mgr., 34 Nassau Street, New York, N. Y.
 New York Life Insurance Company, A. H. Meyers, Treasurer, 51 Madison Avenue, New York, N. Y.
 Northwestern Mutual Life Insurance Co., F. E. Wilman, Supt. of Bonds, 720 E. Wisconsin Avenue, Milwaukee, Wis.
 Penn Mutual Insurance Co., D. Newhall, Vice President, Philadelphia, Pa.
 Prudential Life Insurance Co., Newark, N. J.
 Travelers Insurance Company, G. W. Baker, Treasurer, Hartford, Conn.
 The Union Central Life Co., Cincinnati, Ohio.

HALSEY, STUART & Co., INC.

CHICAGO UNION STATION COMPANY,
Chicago, Ill., March 5, 1940.

DEAR SIRs: Chicago Union Station Company proposes to redeem on July 1, 1940, at 105% of their principal amount, its present outstanding \$16,000,000 First Mortgage 4% Series D Bonds, due July 1, 1963, and in order to provide in part, the cash necessary for such redemption, proposes to issue and sell a like principal amount of First Mortgage 3½% Series F Bonds.

Accordingly, up to 12:00 o'clock noon (Central Standard Time) on March 12, 1940, sealed bids will be received by the Company for the purchase of \$16,000,000 principal amount of bonds of the Company, to be dated January 1, 1940, to mature July 1, 1963, to be of Series F, and to be issued under the Company's First Mortgage, dated July 1, 1915, to Illinois Trust and Savings Bank, Trustee, (Continental Illinois National Bank and Trust Company of Chicago, Successor Trustee), copies of which mortgage are available for inspection at the office of the Company in Chicago, Ill.

The said First Mortgage 3½% Bonds, Series F, are to be guaranteed by endorsement as to both principal and interest, jointly and severally, by Chicago, Burlington & Quincy Railroad Company, The Pittsburgh, Cincinnati, Chicago and St. Louis Railroad Company, The Pennsylvania Railroad Company and Henry A. Scandrett, Walter J. Cummings and George I. Haight as Trustees of the property of Chicago, Milwaukee, St. Paul and Pacific Railroad Company, pursuant to an agreement to be dated as of January 1, 1940, between said guarantors, the Station Company, and the Trustee under said First Mortgage. Said guarantors own in equal shares the Company's outstanding capital stock, amounting to \$2,800,000 par value. As will be provided in said agreement, the guaranty of said Railroad Trustees will be their obligation solely as Trustees and not individually and will be a general obligation of the trust estate. Such guaranty will be subordinate to all existing mortgages on the trust estate and all liability of the trust estate in respect thereof will terminate if the guaranty is assumed (as a general obligation without lien) by receivers or a corporation succeeding the said Trustees in the possession of the trust estate. Copies of said agreement, dated as of January 1, 1940, are available for inspection at the office of the Company in Chicago, Ill.

Bids for only a part of the issue will not be accepted.

The Company reserves the right to reject any and all bids. The acceptance of any bid, the issue and sale of the Bonds by the Company and the assumption of obligation and liability in respect thereof by the Guarantor Companies and Railroad Trustees will be subject to the approval of the Interstate Commerce Commission. The acceptance of a bid by the Station Company, and the assumption of said obligation and liability by the Railroad Trustees, will be subject also to the approval of the Court. Notice of acceptance, subject to approval by the Interstate Commerce Commission, and of the Court, will be mailed to the successful bidder not later than March 14, 1940.

Bids for the entire issue must be in writing and enclosed in sealed envelopes addressed: Chicago Union Station Company, Tender for First Mortgage Bonds, Series F, and reenclosed in envelopes addressed: Chicago Union Station Company, % J. W. Besch, Secretary, 210 South Canal Street, Chicago, Ill.

Each bidder must furnish with his bid a certified check for \$800,000, payable to the order of Chicago Union Station Company, as security for the faithful performance by the bidder of the contract of sale if his bid shall be accepted. In the case of the successful bidder, such check will be retained by the Company as security for the faithful performance by such bidder of his obligation to take and pay for the Bonds in accordance with his bid, and in the absence of default on the part of such successful bidder, will be applied upon the purchase price of the Bonds. In the case of unsuccessful bidders, such checks will be returned promptly after the award has been made, but no interest on the amount thereof will be allowed.

Payment in full for the Bonds (less the \$800,000 hereinabove mentioned) shall be made by certified check, or checks in New York or Chicago funds at the office of Continental Illinois National Bank and Trust Company of Chicago, Trustee, in Chicago, Ill., or at the office of any agent designated by the Trustee, on such date as the Company may designate in subsequent notice to the successful bidder, such date of payment to be as soon as practicable after the Interstate Commerce Commission shall have given its approval, not later, however, than April 15, 1940. If the Interstate Commerce

Commission shall not have given its approval as aforesaid on or before April 15, 1940, then the Company shall no longer be bound and the certified check (hereinafter mentioned) deposited with the bid shall be immediately returned to the bidder, but no interest on the amount thereof will be allowed.

Upon payment in full of the balance of the purchase price as above set forth, the Company will execute the Bonds in temporary form in such denominations as may be requested, and deposit same with the certified check which accompanied the accepted bid with the Continental Illinois National Bank and Trust Company of Chicago, Trustee, with instructions to the said Trustee to authenticate and deliver the Bonds to the order of the successful bidder as soon as possible after the proposed call for the redemption of the Series D Bonds has been made, which call in no event shall be later than April 1, 1940.

Following is information with respect to Chicago Union Station Company and a description of the Bonds to be sold:

Chicago Union Station Company owns extensive station and terminal properties in the City of Chicago, extending for about twelve blocks from Carroll Avenue to West Roosevelt Road, a distance of approximately 1.43 miles, principally between the Chicago River and North and South Canal Streets, and including the present city block bounded by West Adams, West Jackson, South Clinton and South Canal Streets. In the opinion of counsel for the Station Company, the First Mortgage is a first lien on all of the properties of the Station Company, subject to easements of no material importance, exclusive of two parcels consisting of so-called "air rights" which the Station Company has heretofore conveyed and leased in accordance with the provisions of the First Mortgage: one, to Chicago Daily News Printing Company in the area east of Canal Street, between Madison and Washington Streets, now occupied by the Chicago Daily News Building with its plaza and appurtenances; the other, to the United States of America, in the area east of Canal Street between Van Buren and Harrison Streets, now occupied by the Chicago post office building and appurtenances. The conveyances and lease excepted and reserved the tracks, structures and appurtenances of the Station Company and the perpetual right to occupy and use for the construction, operation, maintenance and renewal of its tracks, stations, platforms, yards, structures, facilities and improvements in the subjacent space therein described. Under an agreement dated July 2, 1915, and supplements thereto, the proprietary companies, or those who succeed to their obligations, are obligated to use the property during the corporate existence of the Station Company which extends to July 3, 1963, and for such further time as the station and facilities may be used or the term of the corporate existence of the Company may be extended or renewed. Under this agreement and its supplements, each of the proprietary companies obligates itself to pay as rental its share of a sum of money sufficient to pay, among other things the interest on the bonds and other capital obligations of the Chicago Union Station Company, and all taxes and special assessments, together with a proportion of the expenses of operation and maintenance. The Alton Railroad Company also makes use of the property as a tenant.

In its valuation report on the Station Company (Valuation Docket No. 1,198) the Interstate Commerce Commission found a final value, for rate-making purposes, of the property owned by the Station Company, as of December 31, 1927, of \$49,340,000 (excluding working capital of \$50,000). If the property classified and valued by the Interstate Commerce Commission as "non-carrier" (and included in the Station Company's balance sheet in investment in road and equipment) is included, the total as of December 31, 1927 would be \$54,195,011 (excluding working capital of \$50,000). This valuation brought down to December 31, 1939, by adding the cost of additions and betterments and deducting retirements, is reduced to \$48,859,071. Investment of the Station Company in the same property as of December 31, 1939, as shown by its books, was \$84,097,604. The difference between the valuation of the Commission and the investment account is due principally to two items: "Value of Land" carried on the books of the Station Company at \$18,752,307 in excess of the valuation determined by the Interstate Commerce Commission and "Interest During Construction," which is charged in the accounts of the Station Company at \$16,479,179 in excess of the Commission's figure. The amounts carried on the books of the Station Company represent the actual cost to it of the land and for interest during the construction period.

In arriving at its final value of the properties as of December 31, 1927, the Interstate Commerce Commission took into consideration, among other things,

the depreciation of road. The Station Company, as permitted by the accounting regulations of the Interstate Commerce Commission, sets up no reserve for depreciation of road.

The proceeds of sale of these bonds, together with the proceeds of not exceeding \$600,000 of guaranteed bank loans and cash in the treasury of the Station Company, will be used to redeem on July 1, 1940, at 105% and accrued interest \$16,000,000 principal amount of the Station Company's First Mortgage 4% Bonds, Series D, due July 1, 1963.

The First Mortgage by its terms limits the amount of outstanding bonds to \$60,000,000. After the issue of \$16,000,000 Series F Bonds and the redemption of the Series D Bonds as planned, there will be outstanding in the hands of the public, in addition, \$44,000,000 Series E 3¾% Bonds. The only other debt of the Company (other than current operating debt and said guaranteed bank loans) is \$6,895,000 3½% Guaranteed Bonds due September 1, 1951, \$827,000 Guaranteed Bonds due April 1, 1944 and \$13,594,995.09 indebtedness to the proprietary companies for advances. As a result of the operation of the Sinking Fund on April 1, 1940, there will be a reduction in the amount of 4% Guaranteed Bonds due April 1, 1944 by \$350,000.

There are attached hereto (a) copy of the Balance Sheet of the Station Company as of December 31, 1939, and (b) copy of the Income Account of the Station Company for the calendar years 1937, 1938 and 1939, both in the form prescribed by the Interstate Commerce Commission.

All, but not part, of the Series F Bonds may be redeemed at the option of the Company on ninety days' published notice, on July 1, 1945, or on any interest date thereafter up to and including July 1, 1956 at 106%; thereafter up to and including July 1, 1957 at 105%; thereafter up to and including July 1, 1958 at 104%; thereafter up to and including July 1, 1959 at 103%; thereafter up to and including July 1, 1960 at 102%; thereafter up to and including July 1, 1961 at 101% and thereafter at 100%; in each case with accrued interest. They are to be issued as coupon bonds in \$1,000 denomination with the privilege of registration as to principal and as fully registered bonds in authorized denominations; coupon bonds and registered bonds to be interchangeable under the provisions of the mortgage.

Both the principal and interest of the Series F Bonds are payable without deduction for any tax or taxes (except any Federal Income Tax) which the Station Company or the Trustee may be required to pay or retain therefrom, under any present or future law of the United States, or of any State or County or Municipality therein.

While, under the terms of the First Mortgage, the Series F Bonds will, by their terms, be stated to be payable "in gold coin of the United States of America, of or equal to the standard of weight and fineness as it existed on July 1, 1915," nevertheless in accordance with Public Resolution No. 10 of the 73rd Congress of the United States of America, approved on June 5, 1933, the Series F Bonds will be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts, and the Bonds will bear a suitable legend which will call specific attention to such Public Resolution.

The temporary Series F Bonds will be exchangeable without expense to the holders for definitive Series F Bonds when prepared. The Company agrees to have the definitive bonds prepared as promptly as possible.

The issue, guaranty and sale of the Series F Bonds are subject to authorization by the Interstate Commerce Commission and, in respect of said guaranty of said Railroad Trustees, to authorization by the Court.

The Company will in due course make application for the listing of the Series F Bonds on the New York Stock Exchange, and, in connection therewith, for their registration under the Securities Exchange Act of 1934.

Very truly yours,

CHICAGO UNION STATION COMPANY,
By M. W. CLEMENT, *President*.

*Chicago Union Station Company—General Balance Sheet as of
December 31, 1939*

ASSETS

Investments			
Investments in road and equipment-----	\$84,097,604.77		
Sinking fund-----	1,000.00		
Other investments-----	5,070.31		
			\$84,103,675.08
Current Assets			
Cash-----	96,013.39		
Special deposits			
Fiscal agents' bond interest account-----	\$1,149,646.66		
Contl. Ill. Natl. Bank & Trust Co., Trustee,			
For redemption of First Mortgage Bonds:			
Series "A" and "B" called			
7/1/36-----	\$4,000.00		
5% Premium-----	200.00		
For redemption of			
5% Guaranteed Gold Bonds-----	8,000.00		
5% Premium-----	400.00		
	12,000.00		
Miscellaneous-----	958.91		
		1,163,205.57	
Traffic and car-service balances receivable-----		22.30	
Net balance receivable from agents and conductors-----		377.55	
Miscellaneous accounts receivable-----		634,498.74	
Material and supplies-----		27,719.67	
Rents receivable-----		3,871.00	
			1,925,708.22
Deferred Assets			
Working fund advances-----	150.00		
Insurance and other funds-----	50,703.13		
Other deferred assets-----	856,860.66		
			907,713.79
Unadjusted Debits			
Discount on funded debt-----	216,803.51		
Other unadjusted debits-----	1,460,888.83		
			1,677,692.34
Total Assets-----			<u>\$8,614,789.43</u>

LIABILITIES

Capital Stock-----			\$2,800,000.00
Long Term Debt			
Funded debt unmatured-----	\$60,000,000.00		
First mortgage bonds due			
July 1, 1963:			
Series "D" 4%-----	\$16,000,000.00		
Series "E"-----	44,000,000.00		
Guaranteed 3½% bonds due September 1, 1951-----	6,895,000.00		
Guaranteed 4% bonds due April 1, 1944-----	827,000.00		
	67,722,000.00		
Nonnegotiable debt to affiliated companies-----	13,594,995.09		
			81,316,995.09
Current Liabilities			
Audited accounts and wages payable-----	105,385.45		
Miscellaneous accounts payable-----	7,700.89		
Interest matured unpaid-----	1,149,646.66		
Funded debt matured unpaid-----	13,000.00		
Unmatured interest accrued-----	88,711.67		
Other current liabilities-----	600.00		
			1,365,044.67
Unadjusted Credits			
Tax liability-----	1,548,464.97		
Other unadjusted credits-----	1,154,284.70		
			2,702,749.67
Corporate Surplus			
Funded debt retired through income and surplus-----			430,000.00
Total Liabilities-----			<u>\$8,614,789.43</u>

Chicago Union Station Company—Income account for the years ended December 31, 1937, 1938, and 1939

	1937	1938	1939
OPERATING INCOME:			
Railway Tax Accruals.....	\$1,437,413.89	\$1,168,889.35	\$1,478,449.39
Railway Operating Income.....	¹ \$1,437,413.89	¹ \$1,168,889.35	¹ \$1,478,449.39
Total Operating Income.....	¹ \$1,437,413.89	¹ \$1,168,889.35	¹ \$1,478,449.39
NON-OPERATING INCOME:			
Joint Facility Rent Income.....	\$4,197,810.20	\$3,876,165.06	\$5,056,177.27
Miscellaneous Rent Income.....	36,374.40	36,374.40	36,374.40
Income from Funded Securities.....	12,358.69	2,947.39	78.12
Income from Sinking and Other Reserve Funds.....	1,718.75	1,718.75	1,640.63
Release of Premiums on Funded Debt.....			122,188.89
Miscellaneous Income.....	58.40	9.60	1.60
Total Non-Operating Income.....	\$4,248,320.44	\$3,917,215.20	\$5,216,400.91
Gross Income.....	\$2,760,906.55	\$2,748,325.85	\$3,738,011.52
DEDUCTIONS FROM GROSS INCOME:			
Joint Facility Rents.....	\$3,270.01	\$4,439.34	\$2,567.35
Miscellaneous Rents.....	659.11	659.11	1,059.11
Interest on Funded Debt.....	2,597,231.66	2,583,166.67	2,568,391.67
Interest on Unfunded Debt.....	10.36	56.97	22,915.64
Amortization of Discount on Funded Debt.....	16,188.48	16,249.08	15,443.30
Miscellaneous Income Charges.....	3,546.93	3,275.62	2,974.63
Total Deductions from Gross Income.....	\$2,620,906.55	\$2,607,846.79	\$2,613,551.75
Net Income.....	\$140,000.00	\$140,479.06	\$1,124,459.77
DISPOSITION OF NET INCOME:			
Dividend Appropriations of Income.....	\$140,000.00	\$140,000.00	\$140,000.00
Income Balance Transferred to Profit and Loss.....		² \$479.06	³ \$984,459.77

¹ Italics denote loss.

² Net income consisting of \$674.37 loss sustained in sale of investment securities, less \$195.31 credit, unclaimed wages written off. Net amount charged to proprietary companies and included in Station Company income, offsetting corresponding amount in profit and loss account.

³ Net income resulting largely from an accounting adjustment of unamortized discount and expense on Series "A" and "B" Bonds retired July 1, 1936. Such unamortized discount and expense charged to proprietary lines and included in Station Company income in 1939, offsetting similar charge in profit and loss account.

[Copy]

MORGAN STANLEY & Co., INCORPORATED

TWO WALL STREET, NEW YORK

NEW YORK, March 8, 1940.

M. W. CLEMENT, ESQ.,

President, Chicago Union Station,
Chicago, Illinois.

DEAR SIR: We beg to acknowledge receipt of your letter of March 5, 1940 relating to \$16,000,000, principal amount of Chicago Union Station First Mortgage 3½% Bonds.

Very truly yours,

MORGAN STANLEY & Co. INCORPORATED,
(Signed) ALFRED SHRIVER, Vice President.

[Copy]

STERN, WAMPLER & Co. INC.

Telephone Franklin 8844. 231 South LaSalle Street,

CHICAGO, March 9, 1940.

CHICAGO—NEW YORK

Mr. M. W. CLEMENT,

*President, Chicago Union Station Company,
210 South Canal Street, Chicago, Illinois.*

DEAR MR. CLEMENT: We appreciate being invited to bid for the contemplated issue of Chicago Union Station Bonds.

Apparently your records contain our firm name as Lawrence Stern & Co. Please be advised that the title of our company was changed on June 1, 1938, to Stern, Wampler & Co. Inc.

Very truly yours,

(Signed) E. C. WAMPLER,
(E. C. Wampler)
President.

ECW:AV

[Copy]

Leon S. Freeman
E. Kirk Haskell
Ernest L. Nye
Joseph S. Nye
Philip H. Ackert
Frank L. Cole

Cable Address:
"Manfree New York"
New York Telephone
Whitehall 4-3344
Philadelphia Telephone
Rittenhouse 6161

FREEMAN & COMPANY

30 Pine Street, New York

MARCH 6, 1940.

Mr. M. W. CLEMENT,

*President, Chicago Union Station Company,
Chicago, Illinois.*

DEAR SIR: We wish to thank you for your letter of March 5th relative to bids for your proposed issue of \$16,000,000 Chicago Union Station First Mortgage 3½% Series F Bonds and we will be glad to give this matter our consideration.

Very truly yours,

FREEMAN & COMPANY,
By (Signed) PHILIP H. ACKERT

JM

[Copy]

Boston
Chicago
Philadelphia
St. Louis

GOLDMAN, SACHS & Co.

30 Pine Street, New York

MARCH 7, 1940.

Mr. M. W. CLEMENT,

*President, Chicago Union Station Company,
Chicago, Illinois.*

DEAR SIR: We acknowledge receipt with thanks of your circular letter dated March 5, 1940 advising us that sealed bids will be received by your Company for the purchase of \$16,000,000 principal amount of Series F, First Mortgage Bonds.

We beg to advise you that we are not submitting a bid for the reason that it is a policy with our Firm not to engage in competitive bidding, excepting only in the case of State and Municipal obligations. We see no reason for departing from that principle in this case. We believe that the method of competitive bidding is unsound in principle and, in the long run, against the public interest.

Believe us to be

Yours very truly

(Signed) GOLDMAN, SACHS & Co.

[Copy]

Walter N. Stillman
James McMillen
Howard A. Plummer
J. Gould Remick
Robert W. Morgan
Langley W. Wiggin Limited

Cables
"Stilvans New York"
Codes
All Universal Codes

EVANS, STILLMAN & CO.

MEMBERS NEW YORK STOCK EXCHANGE

14 Wall Street, New York

MARCH 6, 1940.

M. W. CLEMENT, ESQ.,

*President, Chicago Union Station Company,**210 South Canal Street, Chicago, Illinois.*

DEAR MR. CLEMENT: We acknowledge with thanks your letter of March 5 inviting us to submit a bid on March 12 for \$16,000,000, principal amount of the bonds of your Company, to be dated January 1, 1940, and to mature July 1, 1963.

While we appreciate your courtesy, our firm is definitely opposed to the principle of competitive bidding for new issues, excepting State and Municipal obligations, and must, therefore, decline your invitation.

Cordially yours,

(Signed) EVANS, STILLMAN & CO.

JMcM: VW

[Copy]

HALSEY, STUART & CO. INC.

201 So. LaSalle St., Chicago, March 12, 1940.

CHICAGO UNION STATION COMPANY,

210 South Canal Street, Chicago, Illinois.

(Attention: Mr. J. W. Besch, Secretary.)

DEAR SIR: Pursuant to the terms and conditions set forth in your circular letter dated March 5, 1940, copy of which is attached hereto, relating to the sale by you of \$16,000,000 principal amount of your First Mortgage $3\frac{1}{8}\%$ Bonds, Series F, to be dated Jan. 1, 1940 and to become due July 1, 1963, the undersigned hereby bids 98.05% of the principal amount of said bonds, plus accrued interest on the principal amount of said bonds at the coupon rate to the date of payment therefor.

It is understood that payment in full for the Bonds (less \$800,000 deposited with this bid) is to be made, against delivery of said Bonds in temporary form, by the successful bidder by certified check, or checks, in New York or Chicago funds at the office of Continental Illinois National Bank and Trust Company of Chicago, Trustee, in Chicago, Illinois, or at the office of any agent designated by the Trustee, on such date as the Company may designate in subsequent notice to the successful bidder, such date of payment to be as soon as practicable after the Interstate Commerce Commission and the Court shall have given their approval, not later than April 15, 1940, as provided in your circular letter.

In accordance with the terms of said circular letter of March 5, 1940, we enclose herewith certified check for \$800,000, payable in Chicago funds to the order of the Chicago Union Station Company as security for the faithful performance by the undersigned of the contract of sale if this bid shall be accepted.

Very truly yours,

(Signed) HALSEY, STUART & CO., INC.

On behalf of itself and associates, none of whose partners, officers, or directors is a director or officer of the Chicago Union Station Company or of any of the Guarantors.

MARCH 15, 1940.

MR. HARRY L. STUART,

*Halsey, Stuart & Co., Inc.,**201 S. La Salle Street, Chicago, Illinois.*

DEAR MR. STUART: As you may recall, the Commission's Investment Banking Section presented to the Temporary National Economic Committee considerable

data on the past financing of the Chicago Union Station Company. In connection with the offering by the Chicago Union Station Company of \$16,000,000 3½% Bonds by a syndicate headed by Kuhn Loeb & Co., it has occurred to me that you might care to let us have a memorandum setting forth your interest in the situation, and particularly the bid which your firm made.

Sincerely yours,

PETER R. NEHEMKIS, Jr.,

Special Counsel, Investment Banking Section, Monopoly Study.

PRNehemkis:ib

MARCH 21, 1940.

Mr. PETER R. NEHEMKIS, Jr.,

Securities and Exchange Commission,

Washington, D. C.

DEAR MR. NEHEMKIS: Your courteous inquiry of March 15 was received on March 18. We had hoped that it would not be necessary for us to comment on the Chicago Union Station Company bond issue and we have held your note until now to determine how we would like to reply to it. We, of course, have in mind our previous experience with your courteous requests and also I have keen recollection of the seven days I was held in compulsory attendance at the meetings of your Committee during the Investment Banking Section inquiry and I am well aware of your determination to get what you are after, so we are reluctantly giving you the history of this transaction from our point of view. I enclose the following:

1. Copy of memorandum I wrote on February 15, the day following my talk with Messrs. Scandrett and Severs.

(You will note that the type of bond I suggested and the price was quite different from a marketability standpoint than the one on which bids were invited.)

2. Printed invitation from the Chicago Union Station Company dated March 5.

(We presume you have the application made by the Company to the Interstate Commerce Commission in which the Company declares its expectation to award the bonds to the highest bidder. Also you will get the list of those to whom the invitation was sent.)

3. Copy of our bid dated March 12.

(You will note that there are no conditions attached to our bid. The second paragraph was inserted after consulting with an officer of the Station Company to clarify a paragraph in the invitation. There was also no reservation as to our attorney's opinion; we preferred to take the moderate commercial risk that our lawyers would agree with the Company's lawyers in the event that the bonds were awarded to us. We understand also that this bid was the only one received.)

4. Copy of letter from the Company rejecting our bid and returning our check, which was delivered to us about noon March 14.

(This was the last word we had from the Company.)

5. Copy of letter I have written to Mr. J. W. Severs today, so that he may be fully posted as to what we are doing.

I think the foregoing are all the essentials from our standpoint. As to whether our bid, backed by a deposit of \$800,000, was accorded treatment demanded by high ethics, we of course are unable to say. Also as to whether there was an organized opposition to the policy of public bidding, in view of the fact that we were the only bidder, we likewise have no information. We do know that we invited a total of approximately fifty houses to join our group and only twenty (excluding ourselves) accepted, the balance declining for one reason or another. Also we have no information as to whether the same state of affairs continues to exist as indicated by the testimony which you brought out in December at the hearing before your Committee. If this is so, then of course it is questionable whether our bid or any bid made by a house outside the group previously identified with Chicago Union Station financing would have received any different consideration than that accorded to us. Certainly we do not suggest that any investigation be made on these points, much less have we any desire to take part in such investigation. I think it is perfectly fair, in behalf of our bid, to state that there was a very large improvement in the market for high grade securities between the date of our bid and forty-eight hours later when it was rejected and that if we had had a proper opportunity we would have been glad to have improved our bid substantially,

for during that short period of time several large syndicates which had been slow were either cleaned up or rapidly in the process of successful liquidation.

The Interstate Commerce Commission is holding a hearing on this matter at ten o'clock March 23 and they sent a notice of this meeting to our New York office, which was received there on March 16. This notice was not accompanied by an invitation to attend and we are relieved that we have no such invitation, because we have not in mind registering any objection to the sale. We trust, however, that the Commission will inform itself fully, principally to satisfy itself whether the sale was handled as it should have been and for guidance in future cases where the Commission suggests or orders competitive bidding. There is no question but that all bids should be opened in the presence of the bidders, which was not done in this case, and that proper consideration should be given to the highest bidder if private negotiations are later undertaken. This Company still has \$44,000,000 of bonds which will be callable in the not distant future and we are hoping for an opportunity of bidding on those under fair conditions.

The present bond issue, we understand, was unofficially offered by the successful purchasers on the afternoon of the date of the rejection of our bid and the next day there appeared the usual advertisements and which contained a notice that the circulars were ready. On the assumption that no negotiations were undertaken until after the rejection of our bid, the successful purchasers made a most remarkable record in the speed with which they got the offering to the public.

We trust that we have answered your inquiry as fully as you wish and that the matter is at an end so far as we are concerned.

Very sincerely yours,

H. L. STUART.

HLS-F.

[Copy]

F.K.S.
C.F.C.
T.E.H.

MEMORANDUM—RE CHICAGO UNION STATION COMPANY

Yesterday I called on Mr. Henry Scandrett, formerly president of the Chicago, Milwaukee, St. Paul & Pacific Railroad and now one of the trustees in bankruptcy of this road. I told him that we wanted an opportunity of bidding on \$16,000,000 of bonds which will become optional on July 1st of this year and will have to be called on April 1st. -I told him the business should be done in Chicago but replying to his question as to whether everybody should be given a chance to bid, I replied that anybody should be permitted to bid.

He said that the matter was under active discussion now by a committee of three, composed of Mr. George H. Pabst, Jr., of the Pennsylvania, located in Philadelphia, Mr. Johnson of the C. B. & Q. and Mr. J. W. Severs, who is Mr. Scandrett's assistant, and that he wanted me to see Mr. Severs right away and Mr. Severs was leaving within an hour for New York. He telephoned Mr. Severs and said that I would be right down to see him and I repeated to Mr. Severs everything I had said to Mr. Scandrett, emphasizing the fact that this business should be done in Chicago if possible. Mr. Severs said he was very glad that I called because he did not have any contacts among investment bankers and was consequently at a disadvantage, as his associate on the committee, Mr. Pabst, had contact with several investment bankers and Mr. Severs felt that he was compelled to rely more or less on Mr. Pabst's views.

I told Mr. Severs that replying to Mr. Scandrett's question I had told him that a 25-year bond with a service fund of \$640,000 a year throughout the life of the bonds and a 3% coupon could be sold to the public at somewhere around 100. Mr. Severs stated that his committee were hoping they could sell 3s at 100 without a sinking fund and he thought that perhaps because of the terms of the mortgage it would be impossible to establish a sinking fund until the refunding of \$44,000,000 of bonds which do not become optional until next year, when the mortgage can be cancelled and a new mortgage made. Also they may wish to borrow the premium of \$800,000 to call the \$16,000,000 bonds, for two years. I told him we would be glad to buy the guaranteed notes or he could borrow the money at a bank. I told him we would take the two year notes with the guarantee of the three railroads on a 2% basis.

Mr. Severs said he would come in to see us sometime next week and that he would discuss the matter with us very freely, as he wanted our advice. He also said that there was another matter which he was not permitted to mention at this time but of more importance than the Union Station bonds and that he would like also to discuss this with us later on. Mr. Severs also expressed his opinion that his property should do all of its business in Chicago and that he thought they were moving that way rapidly.

HLS-F.

CC Mr. E. W. Niver, New York Office.

2/15/40.

H. W. Johnson
Vice President & Comptroller

CHICAGO UNION STATION COMPANY
210 South Canal Street

CHICAGO, ILLINOIS, March 14, 1940.

HALSEY, STUART & Co. INC.,
201 So. LaSalle Street,
Chicago, Illinois.

GENTLEMEN: I thank you for the bid made by your firm, on behalf of itself and associates, none of whose partners, officers or directors is a director or officer of the Chicago Union Station Company or of any of the Guarantors, under date of March 12, 1940, for the purchase of \$16,000,000 principal amount First Mortgage 3½% Series "F" Bonds of the Chicago Union Station Company, to be dated January 1, 1940 and to mature July 1, 1963.

Pursuant to the right reserved in its communication of March 5, 1940 to reject any and all bids, the Chicago Union Station Company has decided to reject your bid and this letter is accordingly sent to you for the purpose of notifying you that your bid is rejected.

Your certified check in the sum of \$800,000 is returned to you herewith.

Yours very truly,

H. W. JOHNSON,
Vice President, Chicago Union Station Company.

enc.
MH

MARCH 21, 1940.

Mr. J. W. SEVERS,
Chicago, Milwaukee, St. Paul & Pacific Railroad,
Chicago Union Station, Chicago, Illinois.

DEAR MR. SEVERS: I enclose herewith copy of letter received from Peter R. Nehemkis, Jr., Special Counsel, Investment Banking Section of the Temporary National Economic Committee, and copy of my reply. I also enclose my memorandum referred to; the other papers you already have. I trust that my memorandum is correct in so far as you are concerned and if it is not that you will promptly advise Mr. Nehemkis direct.

I beg to remind you that throughout this negotiation I heard nothing from you but had to do all of the calling myself, but this was easily understood because of the activity you must have been under in connection with the preparation of all the details in connection with the invitation and the issue. When I called you after our check had been returned and you told me that you could not give me any information, I could easily understand that also, because you might have been in the position where you had to choose between going along with a given policy and your job. However, failing to get any information from you I endeavored to reach Mr. Scandrett and he was reported to be in Arizona, so I had nowhere else to go except to my friend Mr. Walter Cummings of the Continental Bank in his capacity as trustee of your road and he later called me back to tell me that our bid was the only one received and had been rejected but that he could not give any further information. The various newspapers and ourselves were busy telephoning each other trying to find out what happened and what was going to happen but without result. When I telephoned you I mentioned that somebody from Harriman, Ripley & Co. had called up a member of our underwriting group and had advised that the rumor was out that our bid had been rejected, and this happened at least an hour before our check was returned.

I certainly wish no misunderstanding with yourself or Mr. Scandrett, as you certainly treated me with the greatest possible courtesy on my first and only visit to you, at which time I am sure that you gave me all the information you were at liberty to give at that time. I shall be obliged if you show this letter and the enclosures to Mr. Scandrett on his return.

One of the newspapers stated that an inquiry from Mr. Nehemkis had also been sent to the Chicago Union Station Company and if either you or it feel like sending us a copy of your reply we will be grateful.

Very sincerely yours,

HLS-F
ENC

[Stenographers' minutes]

BEFORE THE INTERSTATE COMMERCE COMMISSION

Finance Docket No. 12797

APPLICATION OF CHICAGO UNION STATION COMPANY

Hearing Room "C", I. C. C. Building, Washington, D. C., Saturday,
March 23, 1940, 10 A. M.

BEFORE: Commissioner Porter and Examiner A. C. DeVoe. Met pursuant to notice.

APPEARANCES: Albert Ward, 1740 Broad Street Station Building, Philadelphia, Pennsylvania, appearing for Chicago Union Station Company.

PROCEEDINGS

Exam. DEVOE. The Interstate Commerce Commission has assigned for hearing at this time and place the application of the Chicago Union Station Company for authority to issue \$16,000,000 First Mortgage Bonds, Series "F", and not exceeding \$600,000 guaranteed notes, and of Chicago, Burlington & Quincy Railroad Company, Trustees of Chicago, Milwaukee, St. Paul & Pacific Railroad Company, Pittsburgh, Cincinnati, Chicago & St. Louis Railroad Company, and Pennsylvania Railroad Company for authority to assume obligation jointly and severally as guarantors of the bonds and notes.

Who appears for the applicants?

Mr. WARD. Albert Ward.

Exam. DEVOE. Are there any other appearances?

(No response.)

Exam. DEVOE. You may proceed, Mr. Ward.

Mr. WARD. I will call Mr. Pabst.

GEORGE H. PABST, JR., having been duly sworn, testified as follows:

Direct examination by Mr. WARD:

Q. Will you please state your name and address?—A. George H. Pabst, Jr. I live in Philadelphia, Pennsylvania.

Q. What position, if any, do you have with the Chicago Union Station Company?—A. I am a director in the Chicago Union Station Company.

Q. How is the outstanding stock of the Chicago Union Station Company handled?—A. The outstanding capital stock, aggregating \$2,800,000 par value, of the Chicago Union Station Company is owned in equal shares by the Chicago, Burlington & Quincy Railroad Company, the Chicago, Milwaukee, St. Paul & Pacific Railroad Company, the Pennsylvania Railroad Company, and the Pittsburgh, Cincinnati, Chicago & St. Louis Railroad Company. These four companies, each owning one-quarter of the total outstanding stock of the Station Company are the proprietary companies of the Station Company.

Q. What position, or positions, if any, do you hold with any of the proprietary companies?—A. I am Assistant Vice-President-Treasurer of each the Pennsylvania Railroad Company and the Pittsburgh, Cincinnati, Chicago & St. Louis Railroad Company. The properties of the Pittsburgh, Cincinnati, Chicago & St. Louis Railroad Company are leased to and operated by the Pennsylvania Railroad Company under a long term lease.

As Assistant Vice-President-Treasurer of each of these companies, I have supervision over their financial affairs.

Q. How and by what processes are problems of financing for the Chicago Union Station Company customarily handled?—A. By reason of the ownership of the proprietary companies of the stock, and the use of them of the properties and facilities of Station Company, problems of financing in connection with the Chicago Union Station Company are customarily handled by officers of the proprietary companies. The Board of Directors of the Station Company consists of officers of the proprietary companies and all of the executive officers of the Station Company, except the Secretary, are officers of one or more of the proprietary companies.

Q. Have you taken any part in the financing which is contemplated by the application of the Station Company, which is the subject matter of this hearing?—A. Yes. I have cooperated with Mr. Clement, President of the Station Company, and President of the Pennsylvania Railroad Company, and with officers of the Chicago, Burlington & Quincy Railroad Company and of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company, or Trustees of that Company, in considering the advisability of refunding the outstanding issue of \$16,000,000 principal amount of Series D Bonds of the Station Company.

Q. Are you familiar with the details of the plan of financing and its purpose?—A. Yes.

Q. Describe the plan and its purpose.—A. At the present time, the Chicago Union Station Company has outstanding \$16,000,000, principal amount, of Series D Bonds, bearing interest at the rate of 4% per annum, said bonds being dated January 1, 1935 and maturing July 1, 1963. These bonds are callable on April 1st for redemption on July 1, 1940, at 105. The present plan proposes an issue of \$16,000,000 of Series F Bonds at an interest rate of $3\frac{1}{8}\%$ per annum, such bonds to be dated January 1, 1940, and to mature July 1, 1963, and the calling of the Series D Bonds for redemption. The Series F Bonds are to be guaranteed by endorsement, jointly and severally, of the Chicago, Burlington & Quincy Railroad Company, the Pittsburgh, Cincinnati, Chicago & St. Louis Railroad Company, the Pennsylvania Railroad Company, and the Trustees of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company. The premium which must be paid in connection with such redemption will aggregate \$800,000; and in order to provide a portion of the funds to pay such premium, the Station Company proposes to borrow from a bank, the sum of \$600,000, and to issue as collateral for such bank loan semi-annual notes bearing interest at the rate of $1\frac{1}{2}\%$ per annum, which will mature in equal amounts over a period of five years—that is, there will be paid on each semi-annual interest date the sum of \$60,000 of the principal of these notes. The notes will be dated not later than April 15, 1940. They will be guaranteed by endorsement in the same manner as the bonds. The difference between \$600,000 and \$800,000 will be supplied by the proprietary companies, and in addition, the Station Company and the proprietary companies will furnish further cash to meet necessary expenses involved in this financing. The purpose and intent is to reduce by a substantial amount the fixed charges of the Station Company.

Q. State whether or not competitive bids were invited for the purchase of the proposed \$16,000,000 of Series F Bonds.—A. Competitive bids were invited.

Q. When and how were these bids invited?—A. A letter of invitation to bid was sent on March 5, 1940, to a total of 107 banking firms, insurance companies and savings funds.

Q. Now, I hand you a letter dated March 5, 1940, purporting to have been sent out by the Station Company.

Can you identify that as the letter to which you have referred?—A. This is a copy of the letter referred to by me.

Q. That's the letter of invitation?—A. That's the letter which was sent out to the 107 firms,—insurance companies and savings funds.

Mr. WARD. I would like to offer this letter in evidence as Exhibit No. 1.

Commr. PORTER. It will be received.

(Exhibit No. 1, Witness Pabst, received in evidence.)

By Mr. WARD:

Q. Could you say when this letter was mailed, Mr. Pabst?—A. This letter was mailed from Chicago the afternoon of March 5th, that is, addressed to New York, were placed in the United States Mail, and timed to go East on the Broadway Limited to insure their delivery in New York on the 6th, the same time that letters addressed to firms with addresses in Chicago would be received.

Q. Now, Mr. Pabst, I hand you a statement which is headed "List of Bankers, Banks and Insurance Companies Invited to Bid on \$16,000,000 Chicago Union Station Company First Mortgage Series "F", 3½% Bonds." Could you identify that statement as the one which lists the banks, bankers, and insurance companies to which you have reference?—A. This is a complete list of the bankers, banks and insurance companies invited to bid on the Series F Bonds, and to which I have referred.

Mr. WARD. I would like to offer this statement as Applicant's Exhibit No. 2. Commr. PORTER. It will be received.

(Exhibit No. 2, Witness Pabst, received in evidence.)

By Mr. WARD:

Q. Mr. Pabst, was any publicity given in the newspapers to the invitation to bid?—A. The Vice-President of the Station Company announced to the reporters in Chicago the evening of March 5th, that these invitations had been extended and publicity occurred in newspapers the following day, particularly in New York and Chicago, and in subsequent days.

Q. How many bids, if any, were received in response to this invitation?—A. One bid was received.

Q. Who was the bidder?—A. The bidder was Halsey, Stuart & Company, Incorporated, and associates.

Q. Do you know the names of the associates of Halsey, Stuart & Company, Incorporated?—A. I do not know the names of those associates. The names were not disclosed in the bid.

Q. What was the amount of the bid submitted by Halsey, Stuart & Company, Incorporated?—A. Halsey, Stuart & Company, Incorporated, and associates, offered to purchase the bonds at 98.05%, plus accrued interest from January 1, 1940, to the date of delivery of the bonds.

Q. Were any other replies received from those who were invited to bid?—A. Yes. The receipt of the invitation was acknowledged by Evans, Stillman & Company, by a letter dated March 6th, from New York; by Morgan, Stanley & Company, Incorporated, by a letter dated March 8th, from New York; by Stern, Wampler & Company, Incorporated, (formerly Lawrence, Stern & Company), by a letter dated March 9th, from New York; by Freeman & Company, by a letter dated March 6th, from New York; and by Goldman, Sachs & Company, by a letter dated March 7th, from New York.

Q. None of those firms or persons or companies submitted any bid?—A. No; no bids were received from any of them.

Q. Why were competitive bids invited?—A. Having in mind that the Series D Bonds were coming up for first redemption on July 1, 1940, and that the call would have to be made not later than April 1, 1940, Mr. M. W. Clement, the President of the Station Company and President of the Pennsylvania Railroad Company, gave instructions late in 1939 to be on the lookout for an opportunity to refund the bonds at a time most favorable to the Station Company; and thereafter, from time to time, informal discussions were had with Kuhn, Loeb & Company, who had, with associates, purchased the bonds of the Station Company heretofore.

In January it appeared that new bonds might be sold at an attractive price and representatives of the proprietary companies met to discuss the details of the proposed refunding. Early in February, Kuhn, Loeb & Company indicated that 3½% bonds might be sold at a price to the Station Company of 101½%, or a 3.16% basis, and the likelihood that the refunding might be undertaken was informally brought to the attention of certain members of the Interstate Commerce Commission. It was indicated by the Commissioners to the representatives of the Station Company, who informally brought the matter to their attention, that it was their thought that this issue might lend itself particularly to competitive bidding, and as a result, after further consideration by officers of the Station Company and the proprietary companies, the Board of Directors of the Station Company, on February 29th, authorized the issuance and sale of 3½% bonds at competitive bidding.

Q. Was the bid of Halsey, Stuart & Company and associates regarded by the Station Company as a favorable bid?—A. This bid was not regarded by the Station Company as favorable. It was their belief that a higher price should be received for these bonds.

Q. What action was next taken?—A. On March 13th a representative of the Station Company outlined to certain members of the Interstate Commerce

Commission the result of the invitation to bid on the Series F Bonds, and indicated that it was likely that the bid of Halsey, Stuart & Company would be rejected and, in that event, an effort would be made to effect a sale, which it was hoped could be made, to Kohn, Loeb & Company on a basis approximating the basis which had theretofore been offered by them for the $3\frac{1}{4}\%$ bonds.

The Commissioners were asked whether it would be possible for the Commission to act on the application of the Station Company before April 1st, in the event the bid was rejected and a private sale negotiated, so that there would be time to arrange for the required advertising in connection with redemption of the Series F Bonds, if the application should be approved. The Commissioners indicated that if the Halsey, Stuart bid were rejected, and a private sale made, the application would be set down for a public hearing on a date which would allow time for consideration and disposal of the application, either by approval or disapproval, on or before April 1st.

Q. What action was taken by the Station Company with respect to the bid of Halsey, Stuart & Company, and associates?—A. The Station Company decided to reject the bid, and accordingly, on March 14, 1940, a letter was delivered by the Station Company to Halsey, Stuart & Company, Incorporated, formally rejecting the bid.

Q. After the bid of Halsey, Stuart & Company was rejected, what action was taken on behalf of the Station Company?—A. The Station Company, through its President, Mr. Clement, contracted to sell to Kuhn, Loeb & Company, Lee Higginson Corporation, and Harriman, Ripley & Company, Incorporated, and associates, subject to the approval of the Interstate Commerce Commission, the \$16,000,000, principal amount, Series F. $3\frac{1}{4}\%$ Bonds, at a price of 99.43, which was on the same basis, viz., 3.16%, on which the bankers had indicated their willingness in February to purchase $3\frac{1}{4}\%$ bonds.

Q. Up to and including the time that this contract was made, and the supplemental application was filed with the Commission, had the price which Halsey, Stuart & Company had offered, been revealed by the Station Company to Kuhn, Loeb & Company, or Lee Higginson Corporation, or Harriman, Ripley & Company, Incorporated, or any of their associates?—A. It had not. I also have reason to believe that the amount of the bid was not so revealed by any officer or representative of the Station Company, or of any of the proprietary companies.

Q. Who are the associates of Kuhn, Loeb & Company, Lee Higginson Corporation, and Harriman, Ripley & Company, Incorporated, in this transaction?—A. Smith, Barney & Company, Glone, Forgan & Company, The First Boston Corporation, White, Weld & Company, Lazard Freres & Company, and Morgan, Stanley & Company.

Q. State how and in what respects the price which Kuhn, Loeb & Company, Lee Higginson Corporation, and Harriman, Ripley & Company, Incorporated, and associates have agreed to pay is more satisfactory from the standpoint of the Station Company than the bid of Halsey, Stuart & Company, and associates.—A. The difference between the bid of Halsey, Stuart & Company, Incorporated, and associates, and the offer of Kuhn, Loeb & Company, Lee Higginson Corporation and Harriman, Ripley & Company, Incorporated, and associates, is 1.38%. This means that the Station Company will receive for its Series F Bonds \$220,800 more than it would have received if the Halsey, Stuart bid had been accepted. It also means that the proprietary companies will not be called upon to furnish as much cash as they would have been required to furnish if the Halsey, Stuart bid had been accepted. Further, expressed in terms of the respective bases, the difference of .8625% between the 3.24625% basis of the Halsey, Stuart & Company bid and the 3.16% basis offered by Kuhn, Loeb & Company, Lee Higginson Corporation and Harriman, Ripley & Company, Incorporated, and associates, represents a net annual saving to the Station Company of \$13,800, or \$317,400 over the life of the bonds.

Q. From what bank is it proposed to borrow the \$600,000?—A. It is proposed to borrow \$600,000 from the Northern Trust Company of Chicago.

Q. How was this bank selected?—A. As a result of inquiries which were made of a number of banks, twenty-five in all, in Chicago, New York, Philadelphia, and elsewhere.

Q. What rate of interest will be paid on the bank loan?—A. The interest rate will be $1\frac{1}{2}\%$.

Q. What savings will be realized by the refunding, as proposed, of the Series D 4% Bonds?—A. It is estimated that the refunding will produce a net saving of approximately \$2,000,000 over the life of the bonds. Such savings are shown in detail in a statement which has been prepared under my supervision, and which I would be glad to file as an exhibit.

Q. Mr. Pabst, I hand you a statement which is headed "Estimated Savings, Refunding of Chicago Union Station Company First Mortgage Series D 4% Bonds." Is that the statement to which you have reference?—A. This is the statement referred to by me.

Mr. WARD. I would like to offer that as Exhibit No. 3.

Commr. PORTER. It will be received.

(Exhibit No. 3, Witness Pabst, received in evidence.)

Mr. WARD. That is all I have, Mr. Commissioner, except I would like to offer for the record all the exhibits which have been filed with the application, and the supplemental application; they consist of the agreement and the resolutions and so forth, which are furnished in response to the Commission's rules and regulations.

Commr. PORTER. Do I hear any objections from anyone?

(No response.)

Commr. PORTER. They will be received and considered as part of the record, in the absence of any objection.

Mr. WARD. Then, that is all I have, Mr. Commissioner.

Commr. PORTER. Is there anyone present that desires to cross examine or ask the witness any questions?

(No response.)

Exam. DEVOE. Mr. Pabst, you spoke of receiving several letters of acknowledgement from other firms to whom invitations were sent.

What is the substance of those letters?

The WITNESS. In the main, they acknowledge receipt of the invitation, but in no case was a bid received.

Exam. DEVOE. Mere acknowledgements—no expressions—

The WITNESS (interposing). In one or two cases, there were expressions. I have copies of the letters; I will be glad to go into, specifically, the remarks made by those particular houses.

Exam. DEVOE. Have you them with you?

The WITNESS. Yes, sir.

Exam. DEVOE. Will you read them into the record?

The WITNESS. Yes, sir.

Mr. WARD. We have several copies of each and could introduce them as exhibits and that would avoid reading them on the record.

Commr. PORTER. That will be very well, then, if the letters or copies are to be offered.

Mr. WARD. We offer for the record, a copy of a letter dated March 9, 1940, written to the Station Company by Stern, Wampler & Company, Incorporated, New York.

Commr. PORTER. You might just keep them all together and offer them as one exhibit—Exhibit 4. Offer two sets of them, one for the Reporter and one for us.

Mr. WARD. Yes, sir. Another letter, which is dated March 8, 1940, addressed to the Station Company by Morgan, Stanley & Company, Incorporated; another letter, which is dated March 7, 1940, addressed to the Station Company by Goldman, Sachs & Company; another letter, which is dated March 6, 1940, and addressed to the Station Company by Freeman & Company; another letter, which is dated March 6, 1940, addressed to the Station Company by Evans, Stillman & Company. These are all New York firms and the letters were sent from New York, except the first one—the letter from Stern, Wampler & Company was sent from Chicago.

We offer these letters as Exhibit No. 4.

Exam. DEVOE. These are copies, aren't they?

Mr. WARD. These are copies, but we have the originals.

Exam. DEVOE. Will you have the witness identify them as true copies?

Commr. PORTER. These copies that are being offered are accurate, true copies of the letters that were received by the Station Company?

The WITNESS. They are, sir.

Commr. PORTER. You have seen the originals and compared them with these copies?

The WITNESS. I have seen the originals.

Commr. PORTER. They may be received.

(Exhibit No. 4, Witness Pabst, received in evidence.)

Commr. PORTER. Mr. Pabst, the bid rejected, as the only one that you received at the public offering, of Halsey, Stuart & Company, Incorporated—have they entered to the Company, or anyone that you know of, any objections to the rejection of their bid?

The WITNESS. We have had no communication, of my knowledge, from Halsey, Stuart & Company following the letter of rejection which was sent to that firm.

Commr. PORTER. Now, you sent out, according to Exhibit 2, I believe, this offer addressed to some 107 concerns, including banks, insurance companies, investment companies, and the like?

The WITNESS. Yes, sir.

Commr. PORTER. And received five acknowledgements, merely; one bid; and from the others, nothing at all in answer to your public offer?

The WITNESS. That is correct.

Commr. PORTER. Among the 107 that received the public offering, they included all of the parties that are now with Kuhn, Loeb in making the purchase at 99.33; is not that correct?

The WITNESS. That is correct, sir.

Commr. PORTER. And none of them responded in any way, however, to the public offer?

The WITNESS. Except in one case—Stanley, Morgan and Company.

Commr. PORTER. Yes—that's right.

The WITNESS. They acknowledged receipt.

Commr. PORTER. And that is just a bare acknowledgement of receipt.

The WITNESS. That is correct, sir.

Commr. PORTER. You say that when the contract was closed with Kuhn, Loeb & Company, and their associates, so far as you or any member of the Station Company are concerned, the bid of Halsey, Stuart & Company had not, in any way, been made known, so far as you know?

The WITNESS. That is correct, sir.

Commr. PORTER. Have you any explanation that you can make of why, on an offer such as you made to 107 responsible banking, insurance, and investment concerns of the country, that you only received one bid, and none from the concerns that afterwards took this bid at less than a point and a third better than you did receive?

The WITNESS. I have no explanation to make, except that it has been generally known that the principal members of the group have not been in sympathy with competitive bidding for certain securities and have not participated in any bids for any such securities in the past.

Commr. PORTER. Do you know of any communications or correspondence that came to your personal attention between any of the 107 as to any understanding, or otherwise, that they would not bid?

The WITNESS. Nothing of that nature has come to my attention.

Commr. PORTER. From any source?

The WITNESS. From any source whatsoever.

Commr. PORTER. And you personally have no way of accounting for the fact, other than the one you have given, that you received but the one bid?

The WITNESS. That's all; that's the only explanation that I can find.

Commr. PORTER. Sort of a sit-down strike on the part of Capital, wasn't it?

The WITNESS. I have heard it referred to as that.

Commr. PORTER. I guess that's all.

The WITNESS. Thank you.

Mr. WARD. Thank you, sir.

Commr. PORTER. Any other witnesses?

Mr. WARD. No other witnesses, sir.

Commr. PORTER. Several gentlemen have come into the room since the Attorney-examiner made the first announcement. Is there anyone that has any appearance to enter or who desires to be heard in any way at this hearing?

(No response.)

Commr. PORTER. Let the record show that no one further desires to enter an appearance.

If there are no others, we might as well close.

Exam. DEVOE. Since there are no other witnesses, or appearances, this hearing will be closed.

(At 10:35 o'clock, a. m., March 23, 1940, hearing closed.)

INTERSTATE COMMERCE COMMISSION

FINANCE DOCKET NO. 12797

CHICAGO UNION STATION COMPANY SECURITIES

Submitted March 23, 1940. Decided March 27, 1940.

1. Authority granted to the Chicago Union Station Company to issue \$16,000,000 of first-mortgage series-F 3½-percent bonds, and not exceeding \$600,000 of 1½%-percent guaranteed notes of 1940, the bonds to be sold at not less than 99.43 percent, and the guaranteed notes at par, in both cases with accrued interest, and the proceeds used in connection with the redemption of \$16,000,000 of the station company's 4-percent first-mortgage bonds, series-D.
2. Authority granted to the Chicago, Burlington & Quincy Railroad Company, the trustees of the property of the Chicago, Milwaukee, St. Paul & Pacific Railroad Company, consisting of Henry A. Scandrett, Walter J. Cummings, and George I. Haight, the Pittsburgh, Cincinnati, Chicago & St. Louis Railroad Company, and the Pennsylvania Railroad Company, to assume obligation and liability, as guarantors, by endorsement, in respect of the payment of the principal of and interest on such bonds and notes.

F. J. Loesch and Albert Ward for Chicago Union Station Company; *J. C. James* for Chicago, Burlington & Quincy Railroad Company; *A. N. Whitlock* for trustees of the Chicago, Milwaukee, St. Paul & Pacific Railroad Company; and *Henry Wolfe Bickel* for Pittsburgh, Cincinnati, Chicago & St. Louis Railroad Company, and Pennsylvania Railroad Company.

REPORT OF THE COMMISSION

DIVISION 4, COMMISSIONERS PORTER, MAHAFFIE, AND MILLER

By DIVISION 4:

The Chicago Union Station Company, hereinafter called the station company, the Chicago, Burlington & Quincy Railroad Company, the trustees of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company, consisting of Henry A. Scandrett, Walter J. Cummings, and George I. Haight, The Pittsburgh, Cincinnati, Chicago and St. Louis Railroad Company, and The Pennsylvania Railroad Company, hereinafter referred to collectively as the proprietary companies, by a joint application filed on March 6, 1940, as amended March 15, 1940, applied for authority for the station company to issue \$16,000,000 of first-mortgage series F 3½-percent bonds and not exceeding \$600,000 of 1½-percent guaranteed notes of 1940, and for the proprietary companies to assume obligation and liability, as guarantors by endorsement, in respect of the payment of the principal of and interest on such bonds and notes. A hearing was held on the application, at which time full opportunity was given any one desiring to do so to be heard, to cross examine, or to ask questions. No objection to the application has been offered.

The station company is a corporation organized under the laws of the State of Illinois for the purpose of constructing, establishing, maintaining, and operating a union passenger station in the city of Chicago. The authorized capital stock is \$3,500,000, of which \$2,800,000 is issued and outstanding, and is owned in equal shares by the proprietary companies, the Chicago, Milwaukee, St. Paul & Pacific Railroad Company being represented in this proceeding by its trustees in reorganization proceedings. By order dated March 15, 1940, the District Court of the United States for the Northern District of Illinois, Eastern Division, in proceedings for the reorganization of a railroad entitled *In the Matter of Chicago, Milwaukee, St. Paul and Pacific R. Co. debtor*, No. 60463, authorized the trustees to participate in the proposed refinancing plan and in any commitments necessarily incident thereto.

Our order of April 6, 1935, in *Chicago Union Station Co. Bonds*, 207 I. C. C. 155, among other things, authorized the station company to issue \$16,000,000 of 4-percent first-mortgage bonds, series D, dated January 1, 1935, bearing interest at the rate of 4 percent per annum, maturing July 1, 1963, and redeemable as a whole on July 1, 1940, or any interest date thereafter at 105 and accrued interest.

To effect a reduction in interest, the station company proposes to call these series-D bonds for redemption on July 1, 1940, and to provide part of the funds for their payment will issue under the first mortgage dated July 1, 1915, to the Illinois Trust & Savings Bank, Continental Illinois National Bank & Trust Company, successor trustee, \$16,000,000 of its first-mortgage series F $3\frac{3}{4}$ -percent bonds, such series having been created by resolution of its board of directors. The series-F bonds may be issued as coupon bonds in the denomination of \$1,000, dated January 1, 1940, or as registered bonds in the denominations of \$1,000, \$5,000, \$10,000, and multiples of \$10,000; will bear interest at the rate of $3\frac{3}{4}$ percent per annum payable semiannually on January 1 and July 1, and will mature July 1, 1963. The principal and interest of the series-F bonds will be stated as payable in gold coin of the United States of or equal to the standard of weight and fineness as it existed on July 1, 1915, but there will be imprinted on the face of the bonds a legend calling attention to the provisions of Public Resolution No. 10 of the 73d Congress and a reference to this legend will be placed on the coupons. The bonds will be redeemable as a whole at the option of the station company on July 1, 1945, or on any interest date thereafter up to and including July 1, 1956, at 106, and thereafter at a reduction of 1 percent in premium each year until July 1, 1961, after which they will be redeemable at par with accrued interest in each case. Pending preparation of permanent bonds, temporary bonds without coupons, registrable as to principal or negotiable by delivery and substantially of the tenor prescribed by the first mortgage, may be issued in denominations of \$1,000 or multiples thereof.

The first mortgage, which is now closed, contains neither a provision for a sinking fund for the bonds issuable thereunder, nor provisions broad enough to give the station company the right to incorporate a sinking fund in any particular series, or to execute supplemental indentures. The station company believes that it would require the consent of all outstanding bondholders to create a sinking fund for the first mortgage and that it would be impossible to obtain such consent. It states that if a sinking fund were established for the series-F bonds it would result in a differentiation of treatment as to the holders of these bonds and those now outstanding. For these reasons and also because existing indentures require sinking-fund payments aggregating \$400,000 annually, the station company made no provision for a sinking fund for the proposed bonds. Such payments would increase its indebtedness to the proprietary companies so that no net reduction in debt would result. In view of these circumstances and because of the benefit which will accrue to the applicants under the proposed refinancing, we will not require that provision be made for a sinking fund for the series-F bonds.

The cost of the proposed refinancing is estimated at \$1,092,950, and includes a 5-percent premium on the bonds to be retired, amounting to \$800,000, discount on the sale of the proposed bonds \$91,200, 3 months' duplicate interest to July 1, 1940, on proposed bonds, \$125,000, interest on bank loans for 5-year period at $1\frac{1}{2}$ percent, \$24,750, calling expenses, series-D bonds \$10,000, taxes on the proposed bonds \$16,000, and other expenses \$26,000.

To provide in part for the expenses of redemption, the station company will issue not exceeding \$600,000 of guaranteed notes of 1940, to evidence a bank loan of like amount, such notes to be dated the day of issue, to bear interest, payable semiannually, at a rate of $1\frac{1}{2}$ percent per annum, one-tenth of the principal amount to be payable in equal, semiannual installments, the station company reserving the option on 30 days' notice prior to any semiannual maturity date to anticipate the payment of the remaining maturities in whole or in part. Expenses not paid from the proceeds of the guaranteed notes will be paid from cash in the station company's treasury or from advances by the proprietary companies.

The station company, the proprietary companies, and the Continental Illinois National Bank & Trust Company of Chicago, as trustee, will enter into an

agreement to be dated January 1, 1940, which is to be supplemental to an operating agreement dated July 2, 1915, as supplemented February 1, 1919, December 1, 1924, April 1, 1935, and September 1, 1936, whereby the proprietary companies will agree to endorse on each of the series-F bonds and on each of the guaranteed notes, substantially in the form given in the agreement, their joint and several unconditional guaranty of the payment of the principal thereof and of the interest thereon, and they request our authority to assume such obligation and liability. This agreement will modify existing agreements as to the rents payable by the proprietary companies, so as to provide for the additional obligations to be imposed upon the applicants by the issue of the guaranteed notes.

For the purpose of affording the station company an offset to a charge to its profit and loss account required under our accounting rules, the proprietary companies, in consideration of the redemption of the series-D bonds and the saving to them resulting therefrom, will cancel obligations of the station company to them on account of cash advances theretofore made in an aggregate amount of not exceeding \$810,000, of which each proprietor's share will be one-fourth. To afford an offset to a profit and loss charge on account of unamortized discount on the series-D bonds to be redeemed, the proprietors will contribute approximately \$207,137 in cash; and to provide in part the additional cash required in connection with the refunding operation, will make further payments aggregating approximately \$84,063, making the total cash to be contributed approximately \$291,200, of which each proprietor's portion will be one-fourth, or approximately \$72,800.

By a letter dated March 5, 1940, and mailed that day, the station company sent invitations to bid, up to noon March 12, 1940, for the purchase of the series-F bonds to 107 banking firms, insurance companies and savings funds. Five letters of acknowledgment and one bid were received, the sole bid being made by Halsey, Stuart & Company, Incorporated, and associates, who offered to purchase the bonds at 98.05 and accrued interest, which would make the annual average cost of the proceeds approximately 3.246 percent. Pursuant to the right reserved by the station company to reject any and all bids, this bid was not regarded as favorable and was rejected, and the station company subsequently contracted, subject to our approval, with Kuhn, Loeb & Company, for the purchase by them and associated firms of the series-F bonds at 99.43 and accrued interest, which would make the average annual cost of the proceeds approximately 3.16 percent. Associated with Kuhn, Loeb & Company are Lee Higginson Corporation, Harriman Ripley & Company, Incorporated, Smith, Barney & Company, Glore, Forgan & Company, the First Boston Corporation, White, Weld & Company, Lazard, Freres & Company, and Morgan, Stanley & Company.

By letter dated March 9, 1940, the station company sent invitations to 25 banking firms and trust companies to bid for the making of a loan, to be evidenced by the \$600,000 of guaranteed notes, and received two bids, the lowest rate for the loan of 1.5 percent being made by the Northern Trust Company, of Chicago, which was accepted.

The proposed refinancing will result in interest savings of \$3,220,000 over the life of the series-F bonds, or approximately \$140,000 a year. Of the latter amount, the station company will use \$120,000 annually to retire the guaranteed notes, such payments to be made semiannually. The total net saving to the maturity of the series-F bonds, after allowing for expense of refinancing as well as interest on the proposed bonds from date of sale to July 1, 1940, will be approximately \$2,127,050.

The trustees are officers of the court and are acting under its authority. While the assumption by the trustees of obligation and liability, as guarantors by endorsement, requires our approval under section 20a of the Interstate Commerce Act, it is not to be understood that by giving our approval we pass upon or in anywise determine or affect the nature of the rights or liens to be enjoyed under the bonds, or their priority in relation to other liens.

We find that the proposed issue by the Chicago Union Station Company of not exceeding \$16,000,000 of first-mortgage series-F 3½-percent bonds and \$600,000 of 1½-percent guaranteed notes of 1940, and the proposed assumption of obligation and liability, as guarantors by endorsement, in respect of these bonds and notes, by the Chicago, Burlington & Quincy Railroad Company, the trustees of the property of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company, consisting of Henry A. Scandrett, Walter J. Cummings, and George

I. Haight, The Pittsburgh, Cincinnati, Chicago and St. Louis Railroad Company, and The Pennsylvania Railroad Company, as aforesaid, (a) are for lawful objects within their respective corporate purposes and within the duly authorized purposes of the trustees, and compatible with the public interest, which are necessary and appropriate for and consistent with the proper performance by them of service to the public as common carriers, and which will not impair their ability to perform that service, and (b) are reasonably necessary and appropriate for such purposes.

An appropriate order will be entered.

ORDER

At a Session of the INTERSTATE COMMERCE COMMISSION, Division 4, held at its office in Washington, D. C., on the 27th day of March, A. D. 1940.

FINANCE DOCKET NO. 12797

CHICAGO UNION STATION COMPANY SECURITIES

Investigation of the matters and things involved in this proceeding having been made, a hearing having been held, and said division having, on the date hereof, made and filed a report containing its findings of fact and conclusions thereon, which report is hereby referred to and made a part hereof:

It is ordered, That the Chicago Union Station Company be, and it is hereby, authorized to issue not exceeding \$16,000,000 of first-mortgage series-F 3½-percent bonds, and \$600,000 of 1½-percent guaranteed notes of 1940; said first-mortgage bonds to be issued under and pursuant to, and to be secured by, the first mortgage, dated July 1, 1915, and supplements thereto, made to the Illinois Trust & Savings Bank, trustee (Continental Illinois National Bank & Trust Company of Chicago, successor trustee) to be in the forms and denominations, to be dated and to be redeemable as set forth in the application and report aforesaid, to bear interest at the rate of 3½ percent per annum, payable semi-annually on January 1 and July 1, and to mature July 1, 1963; said guaranteed notes to be dated the day of issue, to bear interest payable semiannually at a rate not to exceed 1½ percent per annum, one-tenth of the principal amount to mature semiannually; said bonds to be sold at 99.43 and said notes to be sold at par, in both cases with accrued interest, and the proceeds used in connection with the redemption of \$16,000,000 of the carrier's 4-percent first-mortgage bonds, series D.

It is further ordered, That the Chicago, Burlington & Quincy Railroad Company, the trustees of the property of the Chicago, Milwaukee, St. Paul and Pacific Railroad Company, consisting of Henry A. Scandrett, Walter J. Cummings, and George I. Haight, The Pittsburgh, Cincinnati, Chicago and St. Louis Railroad Company, and The Pennsylvania Railroad Company be, and they are hereby, authorized to assume obligation and liability in respect of the bonds and notes of the Chicago Union Station Company herein authorized to be issued, by endorsing thereon their unconditional joint and several guaranty of the payment of the principal thereof and of the interest thereon, substantially in the form set forth in the agreement to be dated January 1, 1940, between said companies, the Chicago Union Station Company, and the Continental Illinois National Bank & Trust Company of Chicago.

It is further ordered, That, except as herein authorized, said securities shall not be sold, pledged, repledged, or otherwise disposed of by the applicants, or any of them, unless or until so ordered or approved by this Commission.

It is further ordered, That, within 10 days after the execution of said supplemental agreement of January 1, 1940, the Chicago Union Station Company shall file a certified copy thereof in executed form with this Commission.

It is further ordered, That the several applicants shall report concerning the matters herein involved in conformity with the order of the Commission, by division 4, dated February 19, 1927, respecting applications filed under section 20a of the Interstate Commerce Act.

And it is further ordered, That nothing herein shall be construed to imply any guaranty or obligation as to said securities, or interest thereon, on the part of the United States.

By the Commission, division 4.

[SEAL]

W. P. BARTEL,
Secretary.

KUHN, LOEB & Co.,

William and Pine Streets, New York, May 10, 1940.

PETER R. NEHEMKIS, Jr., Esq.,

*Special Counsel, Investment Banking Section, Monopoly Study,
Securities and Exchange Commission, Washington, D. C.*

DEAR MR. NEHEMKIS: I have your letter of May 8th requesting certain information with regard to the recent issue of \$16,000,000 principal amount Chicago Union Station Company First Mortgage 3½% Bonds, Series F, due July 1, 1936. In reply I wish to advise you as follows:

The group formed to purchase this issue from the Company consisted of the following with their percentage interest in this purchase as indicated:

Kuhn, Loeb & Co.	31.67%
Lee Higginson Corporation	15.
Harriman Ripley & Co. Incorporated	15.83
Smith, Barney & Co.	5.
Glore, Forgan & Co.	7.5
First Boston Corporation	5.
White, Weld & Co.	2.5
Lazard Freres & Co.	2.5
Morgan Stanley & Co. Incorporated	15.

For your further information I enclose a list of investment firms which acted as sub-underwriters for this issue, likewise setting forth the amount of their sub-underwriting participation.

As to the \$600,000 principal amount of 1½% Guaranteed Notes, I am sorry to say that I can give you no information concerning any underwriting of these Notes, for they were not purchased by us or any group for which we may have acted. To the best of my knowledge they were placed by the Company direct with a bank or banks.

You stated that the purpose of your letter was to complete your record on the financing of the Chicago Union Station Company. In the light of this I enclose a memorandum which I prepared at the time this transaction was consummated chronologically setting forth the salient steps in this transaction. I think you will find this memorandum and a prior memorandum to which it refers and of which I likewise enclose a copy self-explanatory and illuminating for the purposes of your study.

Sincerely yours,

GEO. W. BOVENIZER.

GC

*Sub-Underwriters of \$16,000,000 Chicago Union Station Company 3½%,
Series F*

NEW YORK, N. Y.

Name	Amount Sub-Underwritten
Kuhn, Loeb & Co.	\$2,600,000
Harriman Ripley & Co. Incorporated	1,250,000
The First Boston Corporation	500,000
Lee Higginson Corporation	1,300,000
Morgan Stanley & Co. Incorporated	1,200,000
Glore Forgan & Co.	600,000
Smith, Barney & Co.	500,000
Lazard Freres & Co.	300,000
White, Weld & Co.	300,000
Bonbright & Company, Incorporated	300,000
Blyth & Co., Inc.	300,000
A. G. Becker & Co. Incorporated	200,000
Clark, Dodge & Co.	200,000
Cassat & Co. Incorporated	150,000
Dick & Merle-Smith	150,000
Dominick & Dominick	75,000

*Sub-Underwriters of \$16,000,000 Chicago Union Station Company,
3½%, Series F—Continued*

Name	Amount
NEW YORK, N. Y.	Sub-Underwritten
R. L. Day & Co.-----	\$75,000
Estabrook & Co.-----	200,000
Eastman, Dillon & Co.-----	100,000
Goldman, Sachs & Co.-----	250,000
Hayden, Stone & Co.-----	250,000
Hallgarten & Co.-----	150,000
Hemphill, Noyes & Co.-----	150,000
Hornblower & Weeks.-----	100,000
W. E. Hutton & Co.-----	200,000
Kidder, Peabody & Co.-----	250,000
Ladenburg, Thalmann & Co.-----	200,000
Blair & Co., Inc.-----	125,000
G. M.-P. Murphy & Co.-----	125,000
Paine, Webber & Company.-----	150,000
R. W. Pressprich & Co.-----	100,000
L. F. Rothschild & Co.-----	75,000
E. H. Rollins & Sons, Incorporated.-----	150,000
Union Securities Corporation.-----	250,000
Shields & Company.-----	100,000
Swiss American Corporation.-----	100,000
Stone & Webster and Blodget Incorporated.-----	150,000
Spencer Trask & Co.-----	150,000
Stern, Wampler & Co. Inc.-----	150,000
BALTIMORE, MD.	
Alex. Brown & Sons.-----	150,000
BOSTON, MASS.	
F. S. Moseley & Co.-----	200,000
Whiting, Weeks & Stubbs, Inc.-----	100,000
CHICAGO, ILLINOIS	
Bacon, Whipple & Co.-----	100,000
The Illinois Company of Chicago.-----	100,000
Central Republic Company.-----	100,000
Harris, Hall & Company (Incorporated).-----	125,000
Blair, Bonner & Company.-----	100,000
A. C. Allyn & Company, Incorporated.-----	125,000
CLEVELAND, OHIO	
Hayden, Miller and Company.-----	150,000
MILWAUKEE, WIS.	
The Wisconsin Company.-----	100,000
PHILADELPHIA, PA.	
E. W. Clark & Co.-----	150,000
Elkins, Morris & Co.-----	100,000
Janney & Co.-----	75,000
W. H. Newbold's Son & Co.-----	100,000
Stroud & Company Incorporated.-----	100,000
Yarnall & Co.-----	100,000
Graham, Parsons & Co.-----	100,000
PITTSBURGH, PA.	
Mellon Securities Corporation.-----	300,000
SAN FRANCISCO, CALIF.	
Dean Witter & Co. (N. Y.)-----	150,000
	<hr/>
	\$16,000,000

[Copy]

MARCH 15, 1940.

MEMORANDUM RE CHICAGO UNION STATION COMPANY FINANCING

Early in January, 1940, I called to the attention of Mr. George Pabst of The Pennsylvania Railroad Company that in my opinion they could refund to advantage in the present market the \$16,000,000 of Series D 4% Bonds of the above Company, which are callable at 105% on April 1st next. A copy of the memorandum drawn at that time is attached, in which we suggested a new 3½% bond in order that the Company might get back the full amount of the premium.

Mr. Pabst discussed this matter with his associates in Philadelphia and at a meeting in New York on January 30th with the representatives of the other proprietary companies, at which time he came to me with the suggestion that it would not be necessary for them to have the full amount of the premium in the purchase price and would I figure a 3¼% bond. I thereupon sent to Mr. Pabst a memorandum on February 5th with a proposition to pay the Chicago Union Station Company 101½% and accrued interest for a new 23-year 3¼% bond which would show a cost to the Company for this money of 31½₁₀₀%, being a saving on the refunding, exclusive of expenses and double interest, of approximately 52¢ per annum or a total saving over the period of approximately \$1,900,000.

After further conferences with the Company's representatives, Mr. Pabst was authorized to get the informal approval to accept this proposition and went down to see Division 4 of the Interstate Commerce Commission on February 26th. Mr. Pabst informed me, after discussing the matter with Division 4, that they unanimously told him that this was the type of security for which he should take competitive bids. After again conferring with the proprietary companies and the Board of Directors of the Station Company, the Company on March 5th sent out a letter asking for bids for a 23-year 3¼% bond, these invitations going to over one hundred dealers and institutions. Bids were received at noon time in Chicago on March 12th and only one bid was received. Mr. Pabst called me up and told me that they had received only one bid from Halsey, Stuart & Co. and associates and asked me whether I would indicate to him what they might get for these bonds in private sale under present conditions. I told Mr. Pabst I did not want to be put in the position of making a competitive bid and therefore told him I could not give him the advice at that time but after they had definitely and formally turned down this "so-called unsatisfactory bid," I would be glad to negotiate again with him if he so desired.

On March 14th, after Mr. Pabst had conferred again with the Interstate Commerce Commission, he advised me officially that the Station Company had declined the bid, not mentioning what the bid was and I did not ask him, and stated that he was free to accept a proposition from us. I told him I would promptly confer with the members of our group and shortly thereafter advised him that we would still pay the exact equivalent of 101½% for the 3¼% bonds, which bid we had made him on February 6th, viz., 99.43% and accrued interest for the 3½% bond but that market conditions were not as good as they were at the time we made the former bid and while we were willing to abide by our bid at that time, it would be necessary for us to offer the bonds at a lower price to effect a satisfactory distribution of them. We accordingly closed the transaction at the above-mentioned price and offered the bonds at 100¾% and accrued interest, which gave us a gross margin of only 13½₁₀₀% on the transaction, which was really too small to handle the transaction properly but wishing to offer the Company the same terms as previously indicated and in order to allow 5% selling commission and at least 57¢ underwriting, less expenses, which we felt was the absolute minimum, Lee Higginson Corporation and we agreed to cut our usual ¼% for managing to ⅓% in this instance.

GEO. W. B.

[Copy]

JANUARY 1940.

**\$16,000,000 CHICAGO UNION STATION COMPANY FIRST MORTGAGE 4% BONDS,
SERIES D, DUE JULY 1, 1963**

The above bonds are callable on and after July 1, 1940 at 105% and accrued interest upon 90 days notice (April 1, 1940). At the call price of 105, the basis would be 3.676%. If the bond market holds it is entirely possible that a new issue of 23-year 3½% bonds might be sold at 107, which is a 3.076% basis. Allowing a spread of 1¾ would give the Company a price of 105¼, which is a 3.176% basis. Such a transaction would result in an annual saving of .50 per annum, or \$80,000. For the full 23-year period this would amount to \$1,840,000.

The I. C. C. would most likely request a small sinking fund on the new bonds. The saving would therefore more than provide for a ½% annual sinking fund or \$80,000.

LEE HIGGINSON CORPORATION

37 Broad Street, New York

New York
Boston
Chicago

MAY 14, 1940.

Mr. PETER R. NEHEMKIS, Jr.,

Special Counsel, Investment Banking Section,

Monopoly Study, Securities and Exchange Commission,

Washington, D. C.

DEAR MR. NEHEMKIS: I have received your letter dated May 8, 1940, requesting certain information in regard to the syndicate formed to distribute Chicago Union Station First Mortgage Series F 3½% Bonds, due July 1, 1963 and \$600,000 1½% Guaranteed Notes, issued in April, 1940.

Following are the names of the Underwriters and the amounts of their participation in the issues above referred to:

Kuhn, Loeb & Co.	31.67%	\$5,067,200
Lee Higginson Corporation	15.	2,400,000
Harriman Ripley & Co., Inc.	15.83	2,532,800
First Boston Corporation	5.	800,000
Smith, Barney & Co.	5.	800,000
Glore, Forgan & Co.	7.50	1,200,000
White, Weld & Co.	2.50	400,000
Lazard Freres & Co.	2.50	400,000
Morgan Stanley & Co., Inc.	15.	2,400,000
	100%	16,000,000

The Underwriters did not purchase the \$600,000 Chicago Union Station 1½% Guaranteed Notes. We understand that this loan was negotiated directly between certain Chicago banks and the Chicago Union Station Company.

In order to further complete your records, we wish to advise you that the above group of bankers on February 5, 1940, submitted a bid of 101½ for \$16,000,000 Chicago Union Station Company 3¾% First Mortgage Bonds, due July 1, 1963. Although it seemed that this bid was acceptable to the Terminal Company, we were advised a few days later that the Interstate Commerce Commission thought that it might be well if the Terminal Company asked for competing bids. This suggestion was followed except that bids were requested for 3½% Bonds, due 1963, with the result that only one bid was received, which was 98.05%.

Inasmuch as this was a less favorable proposal than originally submitted by the group, the Terminal Company declined the bid and with the approval of the Interstate Commerce Commission discussed with the Kuhn, Loeb & Co.-Lee Higginson Corporation syndicate the question of making a bid for a 3⅞% Bond, due July, 1963. A bid was then made on the same cost basis to the Company as the bid originally made for a 3¾% Bond and the result was the sale to this group by the Terminal Company at a price of 99.43%.

Very truly yours,

E. N. JESUP, *Vice President.*

ENJ : R

The following telegram is included in connection with the testimony of George Leib, supra, p. 11486.

EXHIBIT No. 1757¹

[Telegram from George Leib, Blyth & Co., Inc., to Investment Banking Section, Monopoly Study, Securities and Exchange Commission]

[Western Union]

1939 Dec. 19 PM 2 27.

WD 71 223 DL Collected 1/141 CD New York, N. Y. 19

PETER R. NEHEMKIS, Jr.,

*Special Counsel, Temporary National Economic Committee,
Caucus Room, Senate Office Bldg.:*

With reference to my testimony before Temporary National Economic Committee on Wednesday December 13 you asked me whether Mr. Harrison Williams at any time had any stock interest in Blyth & Co. and I replied never. To avoid any misunderstanding in the minds of the committee I should like to amplify my response to said question. Stop Blue Ridge Corporation Commencing March 31, 1930 at which time I understood Mr. Harrison Williams owned indirectly a substantial interest in said Blue Ridge Corporation did own forty-nine percent of the outstanding stock of Blyth & Co., Inc. and continued to retain such ownership until November 24, 1933 at which time Blyth & Co., Inc. purchased the forty-nine percent interest in its own stock then held by Blue Ridge Corporation. Stop Since the date of acquisition by Blyth & Co., Inc. of its stock owned by Blue Ridge as aforesaid no stock of Blyth & Co., Inc. has been directly or indirectly owned by Blue Ridge Corporation or Harrison Williams and I may further state that since November 24, 1933 all of the outstanding stock of Blyth & Co., Inc. has been and is now owned by officers and employees of Blyth & Co., Inc. All of whom are engaged by the corporation and devote their entire time to its affairs. Best regards

GEORGE LEIB.

The following letters are included in connection with the testimony of George D. Woods, supra, pp. 11528 and 11519.

EXHIBIT No. 1696²

[Letter from Sullivan & Cromwell to Investment Banking Section, Monopoly Study, Securities and Exchange Commission]

Cable Addresses: "LADYCOURT," New York, Paris

SULLIVAN & CROMWELL

48 Wall Street, New York. 39 rue Cambon, Paris

NEW YORK, December 16, 1939.

Mr. PETER R. NEHEMKIS, Jr.,

*Special Counsel, Investment Banking Section, Monopoly Study,
Securities and Exchange Commission, Washington, D. C.*

DEAR MR. NEHEMKIS: In accordance with your request to George D. Woods last Wednesday, Mr. Woods made inquiry as to the holdings of stock of Harris, Hall & Company, Incorporated by Messrs. J. R. Macomber, H. M. Addinsell, and D. R. Linsley. Mr. Woods stated last Wednesday he owns no stock of this Company, which fact he confirms. Messrs. Macomber, Addinsell, and Linsley advise they own no Preferred Stock of the Company. They advise their holdings of Common Stock are as follows:

J. R. Macomber-----	300 shares
H. M. Addinsell-----	100 shares
D. R. Linsley-----	200 shares

Mr. Woods has left for Cuba and asked me to give you this information.
Very truly yours,

ARTHUR H. DEAN.

¹ Entered in the record on December 19, 1939, see Hearings, Part 23, p. 12046.

² Ibid, p. 11958.

THE FIRST BOSTON CORPORATION,
100 Broadway, New York, February 24, 1940.

Mr. PETER R. NEHEMKIS, JR.

*Securities and Exchange Commission,
Washington, D. C.*

DEAR MR. NEHEMKIS: Referring to your letter of January 22nd with respect to the ownership of The First Boston Corporation stock by certain investment banking firms in whose name it is registered, the following is a list of banking firms whose names appeared on our stockholders' list as of June 17, 1939 and February 10, 1940 (both of these dates were dividend record dates). Opposite the names is the total amount of stock registered together with a statement of whether it was held for a customer's account, own account or partner's account.

	June 17, 1939	Feb. 10, 1940
Auchincloss, Parker & Redpath.....	cust. 540 shs.	cust. 1,000 shs.
Brown Bros. Harriman & Co.....	cust. 1,881 shs.	cust. 2,081 shs.
Dominick & Dominick.....	0	cust. 1,000 shs.
Gude, Winmill & Co.....	cust. 730 shs.	cust. 2,380 shs.
Harris, Upham & Co.....	0	cust. 550 shs.
Heidelbach, Ickelheimer & Co.....	cust. 700 shs.	cust. 700 shs.
Jackson & Curtis.....	cust. 1,760 shs.	cust. 972 shs.
	part. 1,450 shs.	part. 1,450 shs.
	own 61 shs.	own 225 shs.
Total.....	3,271 shs.	2,647 shs.
Kidder, Peabody & Co.....	0	cust. 1,687 shs.
Ladenburg, Thalmann & Co.....	cust. 806 shs.	cust. 906 shs.
Lee Higginson Corporation.....	own 2,000 shs.	own 1,500 shs.
F. S. Moseley & Co.....	cust. 2,928 shs.	cust. 2,868 shs.
	part. 8,502 shs.	part. 8,502 shs.
Total.....	11,430 shs.	11,370 shs.
Tucker, Anthony & Co.....	cust. 1,335 shs.	cust. 1,335 shs.

The foregoing would indicate that my suspicion at the time I was testifying was correct.

Please let me know if there is any further information you require.

Very truly yours,

GEORGE D. WOODS,
Vice President.

George D. Woods
mms

The following memorandum is included in connection with the testimony of Charles E. Mitchell, *supra*, p. 11582.

EXHIBIT No. 1668¹

[Prepared by the staff of the Investment Banking Section, Monopoly Study, Securities and Exchange Commission]

MEMORANDUM SUPPLEMENTING TABLE ON DEPOSIT ACCOUNTS OF INVESTMENT BANKING FIRMS (I. E., MEMBERS OF INVESTMENT BANKERS ASSOCIATION OF AMERICA) WITH J. P. MORGAN & Co.-DREXEL & Co. AS OF 7/1/39 (EXHIBIT No. 1651-2)

The table of Accounts of Investment Banking Firms with J. P. Morgan & Co.-Drexel & Co. as of 7/1/39 was introduced during the hearings before the Temporary National Economic Committee on the afternoon of December 14, 1939.

This table contains two columns showing the monthly average balances of such investment banking firms: The first of these columns shows the maximum monthly average balance; and the second, the minimum monthly average balance. It is indicated that both of these columns refer to the period from 6/14/34 to 7/1/39, or from date account opened (if subsequent to 6/14/34) to 7/1/39.

Various members of the Temporary National Economic Committee raised questions after the introduction of this table in regard to the meaning of these

¹ Introduced on December 15, 1939. See Hearings, Part 23.

data. This memorandum is intended as an explanation and description of the data submitted.

The Investment Banking Section of the Securities and Exchange Commission requested that J. P. Morgan & Co. compile data as follows:

(1) A list of investment banking firms (i. e., members of Investment Bankers Association of America) having accounts with J. P. Morgan & Co. or with Drexel & Co. on July 1, 1939.

(2) For those investment banking firms having accounts on July 1, 1939, the date such account was opened with J. P. Morgan & Co. or with Drexel & Co.

(3) To review the course of the monthly average balances of these accounts for the period from June 14, 1934, until July 1, 1939, (or if any account were opened after June 14, 1934, from the date such account was opened until July 1, 1939). By monthly average balances, the Investment Banking Section understood the average of the daily balances. This term, the monthly average balance, is one that has currency in banking statistics and operations, and was not further defined in our request. It was expected that J. P. Morgan & Co. would be able to prepare these data, as customarily defined in commercial bank literature and practice, without further explanation. Since J. P. Morgan & Co. raised no question as to the meaning of the term, monthly average balances, it is presumed that the data submitted by J. P. Morgan & Co. reflect the definition given above.

For the accounts mentioned above, J. P. Morgan & Co. was asked to submit the maximum monthly average balance, and the minimum monthly average balance for the period stated.

(4) The data submitted by J. P. Morgan & Co. were offered in the table of the Deposit Accounts of Investment Banking Firms with J. P. Morgan & Co. Drexel & Co. as of July 1, 1939. The table, therefore, sets forth those investment banking firms having accounts with J. P. Morgan & Co. or Drexel & Co. as of July 1, 1939. For each account is shown the greatest monthly average balance (the average of the daily balances within that month), and the smallest monthly average balance (average of daily balances) for the period June 14, 1934, to July 1, 1939. If the account was opened subsequent to June 14, 1934, these data reflect the status of the account from the date of opening until July 1, 1939.

The following, an excerpt from the Congressional Record of May 19, 1933, volume 77, page 3730, is included at this point in connection with testimony on page 11403, supra.

Mr. GLASS. We have embodied in the bill another rather controversial question. We did it in the original so-called "Glass bill," but we—I started to say we yielded to the importunities of the lobbyists from New York, but we did not exactly do that. [Laughter.] We regarded the bill without that of so much importance as that we thought it should pass and become a law, and we feared if we should retain that provision it would encounter—in fact we knew it had already encountered—the bitter hostility of large private banking institutions of the country. Here we prohibit the large private banks, whose chief business is an investment business, from receiving deposits. We separate them from the deposit banking business.

* * * * *

Mr. ROBINSON of Arkansas. That means if they wish to receive deposits they must have separate institutions for that purpose?

Mr. GLASS. Yes.

INDEX

	Page
Adams Oil and Gas Company.....	11429
Adams, Charles T.....	1636-7
Adams, Frederick B.....	11407, 11413
Addinsell, Harry M.:	
Activities in financing of:	
Los Angeles Gas & Electric Co.....	11528, 1628-1-1628-3, 1628-5-1628-6, 1638-1, 1640-4
Southern California Edison Co.....	11540, 1633, 1638-1, 1638-4-1638-5, 1639-4, 1639-10, 1639-20-1639-22
Other companies.....	11454-11455, 11503, 11514-11517, 1580, 1612, 1617-1621, 1626, 1640-29, 1640-38.
Records of The First Boston Corp.'s reciprocal obligations.....	11529-11534, 11597, 1629-1631
Stock interest in the First Boston Corp.....	11512, 11517, 1622, 1696
Stock interest in Harris, Hall & Co.....	11527, 1696
Advertisement of security issue, benefits of position in.....	11499
Aetna Life Insurance Co.....	1639-14, 1639-16
Agreements and understandings for the division of securities business:	
Between Harris, Forbes companies and Harris Trust & Savings Bank.....	11525- 11526, 1626-2
Chicago Union Station Co. financing.....	11430-11478, 1540-1596-2
Question of agreement between J. P. Ripley and S. A. Russell on	
National City Co. accounts.....	11417, 11484, 11500-11505, 11511, 1600-2, 1610, 1611-1, 1612
Air Reduction Company, Inc.....	11407
Alden, Edith J.....	11458, 1585
Aldred & Co., Ltd.....	1629, 1639-1, 1639-11, 1639-19
Aldred, J. E.....	1639-11
Aldrich, Winthrop W.....	11514, 1616
Alexander, Henry C.....	11581, 1651-1
Allyn, A. C. and Company, Inc.....	1629, 1639-18, 1640-24, 1640-44
American Brake Shoe and Foundry Co.....	11429
American Capital Corp.....	1639-5
American National Bank of Indianapolis.....	1636-3-1636-5
American National Bank of San Francisco.....	11524, 1639-2
American Securities Company:	
Participations.....	11490, 1602-1603
Succession to underwriting interests of ..	11494, 11509, 1606, 1611-3, 1611-5
American Ship & Commerce Corp.....	11385
American Steel Foundries financing.....	1630, 1640-16-1640-17
American Telephone & Telegraph Co. financing.....	11573-11576, 1631, 1658-1
American Telephone & Telegraph system financing.....	11553-11555, 11570-11576, 1642, 1644
“Frozen” character of underwriting syndicate in.....	11570-11576
American Trust Co. (San Francisco), <i>See</i> American Securities Co.	
Ames, A. E., & Co., Limited.....	11580, 1629, 1651
Anaconda Copper Mining Company financing.....	11480, 11576, 1614-18, 1644-1645, 1653-2, 1658-2-1658-3
Andersen, Arthur, & Co.....	1600-3, 1600-10
Anderson, Frank.....	11497, 1607, 1611-5
Argentine Republic financing.....	1631, 1658-1
Armour and Company financing.....	1658-2
Armstrong, Samuel.....	1637
Atchison, Topeka & Santa Fe Railway Co. financing.....	1640-17
Atlantic Coast Line Railroad Company.....	11407

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
Atlantic Gas Light Company financing.....	1640-6
Atterbury, W. W.....	11441, 1565
Auchinchloss, Parker & Redpath.....	1696
Authenticating agencies, efforts by commercial banks to secure.....	11538, 1634
<i>See also</i> Fiscal services.	
Babcock, David T.....	11486
Bacon, Whipple & Co., Inc.....	1629, 1640-24, 1640-44
Baker, George F., Jr.....	1545
Baker, J. E., & Co.....	1629
Baker, Watts & Co.....	1629
Baker, Weeks & Harden.....	1629
Baker, Young & Co., Inc.....	1629
Baldwin & Co.....	1629
Ballow, Adams & Whittemore, Inc.....	1639-1, 1639-19
Bancamerica-Blair Corporation.....	1629, 1639-19
Bancohio Securities Company.....	1629
Bank affiliates:	
Originations of securities, 1927-30, amount.....	11415-11416, 1534-1535
Tendency toward monopoly.....	11603
<i>See also</i> Chase Harris Forbes Corp.; Guaranty Co. of N. Y.; National City Co.	
Bankamerica Company.....	1629
Bankers Trust Company.....	1636-3
Banking Act of 1933:	
Amendment, proposed, permitting return of commercial banks to underwriting business.....	11444, 11453, 11465-11466, 11535, 11551, 1568, 1578-1579, 1632, 1642
Amendments, 1935.....	1530
Approval by Charles E. Mitchell.....	11603
Changes in personnel resulting from.....	11391, 11393-11395, 11409-11411, 11416-11417, 11486-11487, 11550, 1532
Compliance with by:	
Brown Brothers Harriman & Co.....	11387-11426, 1528-1537
Chase Corporation, The.....	11513, 1615-1617
Chase National Bank.....	1616-1617, 1620
First National Bank of Boston.....	11512, 1615-1618, 1620
Harris Trust & Savings Bank.....	11535-11537, 11548, 1632, 1640-39
Kuhn, Loeb & Co.....	11384
J. P. Morgan & Co.....	11384, 11440, 11461, 11551, 11578-11579, 1642
National City Bank of New York.....	11384, 11391-11394, 1528
Extract from debate on, quoted.....	11403
Purpose discussed.....	11402-11403
Quoted.....	11401-11403, 1530
Realignments of underwriting interests after:	
Interests of Harris, Forbes companies.....	11522-11524, 1624
Interests of Harris Trust & Savings Bank.....	11524-11526, 11548, 1625, 1640-39
Interests in Chicago Union Station Co. financing.....	11440-11461, 1565-1530
Interests in Pacific Gas & Electric Co. financing.....	11490-11495, 1604, 1606
<i>See also</i> Succession to underwriting interests.	
Bank of the Manhattan Co.....	1636-3
Barber, John E.....	11548, 1640-39-1640-40
Barney, Charles D., & Co.....	1629
Barrow, William.....	1639-11
Bartow, Francis D.....	11433, 1545
Bashore, Eugene, <i>See</i> Pacific Gas & Electric Co. financing.	
Bauer, Harry J., <i>See</i> Southern California Edison Co. financing.	
Becker, A. G., & Co., Incorporated.....	1629, 1640-12, 1640-17, 1640-22-1640-24
Beckett, _____.....	1614-3
Beebe, Harry W.....	11410-11411
Bell, _____.....	1640-13
Bent, Maurice.....	1638-3-1638-4, 1639-4, 1639-6
Besch, J. W.....	11802, 11808

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
Bethlehem Steel Corporation financing.....	11538, 11537, 1647, 1653-2, 1658-2
Bikle, Henry W.....	11818
Black, James B., <i>See</i> Pacific Gas & Electric Co. financing.....	
Blair & Co.....	11519
Blair, Bonner & Company.....	1640-24, 1640-44
Blake Bros. & Co.....	1629
Blount, Julian W.....	11416, 1535
Blyth & Co., Inc.:	
Attitude toward handling of stocks.....	11556-11558, 1644
Bank deposits:	
With J. P. Morgan & Co.....	11577-11582, 1643, 1645, 1649-1650, 1651-2
With other banks.....	1649-1650
Officers of.....	11486, 1601
Organization and early operations.....	11485-11487
Originations of, and participations in, security issues, and negotiations therefor:	
Securities of:	
American Telephone & Telegraph system.....	11554-11556, 11570-11574, 1642, 1644
Anaconda Copper Mining Co.....	11482, 11576, 1614-18, 1644-1645, 1653-2, 1658-2-1658-3
Consolidated Edison Co.....	11553, 11557-11568, 11572, 1642, 1644, 1646, 1648, 1653-2, 1653-1
Crane Co.....	1652-1-1652-6
Los Angeles Gas & Electric Co.....	11528, 1628-1-1628-8, 1638-1, 1640-1, 1645, 1658-1, 1658-3
Pacific Gas & Electric Co.....	11480-11511, 1598-1614-24, 1658-1
Southern California Edison Co.....	1638-1, 1638-3, 1639-1, 1639-4, 1639-6, 1639-8, 1639-10, 1639-14, 1639-17, 1658-3
Other companies.....	1620-24, 1644-1645, 1650, 1658-1-1658-4
Participations in issues managed by Morgan Stanley & Co.....	1653-1
Originations, participations, and profits, amount.....	11550, 1641
Reported to Morgan Stanley & Co.....	11592-11594, 1655-1657
Pacific Gas & Electric Co. financing, efforts to obtain leadership.....	11480-11511, 1598-1614-24
Performance and profit records of, kept by Morgan Stanley & Co.....	11584-11586, 1647, 1653-1-1653-2
Reciprocal business:	
With Dillon, Read & Co.....	1658-4
With The First Boston Corp.....	1629, 1658-3
With Kuhn, Loeb & Co.....	11601, 1658-2
With Morgan Stanley & Co.....	11599-11600, 1658-1
Impossibility of reciprocating to Morgan Stanley & Co.....	11600
Records kept by George Leib.....	11595-11604, 1658-1-1658-4
Relations with Morgan Stanley & Co.....	11488, 11551-11568, 11576-11602, 1601, 1642-1645, 1647-1650, 1652-1-1658-1
"Special capital," attitude toward.....	11589-11592, 1654
Testimony of George Leib.....	11485-11502
Testimony of Charles E. Mitchell.....	11549-11604
Blyth, Charles R.:	
Activities relating to various security issues.....	1638-1, 1638-3, 1645
Letters, etc. concerning Blyth & Co.'s relations with Morgan Stanley & Co.....	11551-11563, 11577-11594, 1642-1645, 1647-1650, 1652-4, 1654-1655, 1657
<i>See also</i> Blyth & Co., Inc.; Pacific Gas & Electric Co. financing.	
Blyth, Witter & Co.....	11542-11543
Boatner, —.....	1640-30
Bodell & Co.....	1629, 1639-12, 1640-12, 1640-22-1640-23
Boeing Airplane Company financing.....	11481
Bonbright & Company, Incorporated:	
Deposits with J. P. Morgan & Co.....	1651-2
Participations in security issues, and negotiations therefor:	
Securities of:	
Pacific Gas & Electric Co.....	1600-14, 1614-4, 1614-7
Southern California Edison Co.....	11542, 1639-1-1639-5, 1639-19
Other companies.....	11574, 1640-12, 1640-22-1640-24, 1648

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

Bonbright & Company, Incorporated—Continued.

Reciprocal business:	Page
With Blyth & Co., Inc.....	11598-11599, 1658-1
With The First Boston Corp.....	1629
Bond & Goodwin, Inc.....	1629
Bond, Goodwin & Tucker.....	11452, 1639-2
Boshell, Edward.....	1640-8, 1640-13, 1640-15
Bovenizer, George W.:	
Activities relating to financing of Chicago Union Station Co.....	11441-11449, 11822, 1565, 1567-1569, 1756, 1759-1-1759-2
Activities, other.....	11514, 1618
Directorships.....	11429
Testimony of.....	11429-11478
<i>See also</i> Kuhn, Loeb & Co.	
Bower, Lahman V.:	
Activities relating to security issues of:	
Central Illinois Electric & Gas Co.....	1640-5-1640-8, 1640-1, 1640-13-1640-15
Other companies.....	1640-1-1640-2, 1640-19-1640-20, 1640-25-1640-27, 1640-30-1640-33
Boyd, Thomas H.....	11486
Bradley, Edward W., & Co.....	1629
Brocksmit, John.....	1640-26, 1640-31
Brooklyn Edison Company, Inc. financing.....	1631, 1646, 1658-1
Brown, Alexander & Co.....	11387
Brown, Alex., & Sons.....	1629
Brown Brothers & Co.....	11386-11387, 11419
Brown Brothers Harriman & Co.:	
Capital interest of Harriman family in.....	11400-11404, 1536
Compliance with the Banking Act of 1933.....	11387-11426, 1528-1537
Distribution of profits.....	11400, 1536
Holdings of The First Boston Corp.'s stock.....	11518, 1622, 1696
Nature of business.....	11387, 11404
Organization.....	11386
Participations in issues managed by The First Boston Corp.....	1629
Partners.....	11385-11386
Admission of.....	11399, 1536
Partnership agreement, powers of W. A. and E. R. Harriman under.....	11397-11401, 1536
Predecessor companies.....	11386-11387
Testimony of W. Averell Harriman.....	11384-11408, 11417-11425
<i>See also</i> Brown Harriman & Co.; Harriman Ripley & Co.	
Brown Harriman & Co., Incorporated:	
Attempts to secure outside capital.....	11420-11421, 11426
Capital interest of Harriman family in.....	11394-11396, 11401
Choice of name.....	11389
Officers and directors.....	11388-11390, 1527
Prior affiliations of.....	11388-11391, 11409-11411, 11421-11422, 1527, 1529, 1532
Organization.....	11388, 11419-11421
Originations of, and participations in security issues, and negotiations therefor:	
Securities of:	
Chicago Union Station Co.....	11440-11443, 11447, 11460-11461, 11472, 1565-1567, 1570, 1579, 1587-1588-2, 1593, 1596-1-1597-2
Pacific Gas & Electric Co.....	11495, 11498, 11500-11502, 1600-2, 1600-6-1600-9, 1600-14, 1604-1606, 1608-1610, 1611-2, 1611-4-1611-5, 1614-4.
Southern California Edison Co.....	11543, 1639-1, 1639-4, 1639-6, 1639-8, 1639-10, 1639-14, 1639-17
Other companies.....	11481, 11492-11493, 11573, 1605, 1640-24, 1640-29, 1644-1645, 1648, 1650
Originations, participations and profits, amount.....	11425, 1537
Question of control by Harriman interests.....	11394-11401, 11405-11406, 11420-11425
Reciprocal business with The First Boston Corp.....	1629

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

Brown Harriman & Co., Incorporated—Continued.	Page
Succession to underwriting interests of National City Co.	11391-11394, 11416-11417, 11440-11443, 11447, 11491-11494, 11559, 1528, 1565-1567, 1570, 1604-1606, 1610, 1611-1, 1612, 1645.
Testimony of Joseph P. Ripley.	11408-11417, 11425-11426
See also Brown Brothers Harriman & Co.; Harriman Ripley & Co.	
Brown, Lisle & Marshall.	1629
Brown, Mark.	1640-19
Brown, Moreau D.	11386
Brown, Ned.	1640-24
Brown Shipley & Co.	11387
Brown, Thatcher M.	11386
Bryce, T. J.	11448-11449
Budd, Ralph.	11447, 11451, 11455, 1570-1571, 1590-1592, 1756
Buffalo Niagara Electric Corporation financing.	1631
Burns, A. E.	11516, 1621
Burr, Gannett & Co.	1629
Burr, George L.	1600-4
Busch, Prescott T.	11386
Butcher & Sherred.	1651-2
Butler, Pope, Ballard & Eltinge.	1638-5
Byllesby, H. M., and Company:	
Deposits with Harris Trust & Savings Bank.	11538, 1633
Originations of, and participations in security issues, and negotiations therefor:	
Securities of:	
Pacific Gas & Electric Co.	11490, 1600-14, 1602-1603, 1614-2, 1614-4
Southern California Edison Co.	11542, 1625, 1633, 1639-1-1639-3, 1639-15, 1639-19
Other companies.	1640-12, 1640-17, 1640-22-1640-23
Reciprocal business with The First Boston Corp.	1629
Cahn, Frank B., & Co.	1629
California-Oregon Power Company financing.	11530, 1630, 1658-3
Canada, Government of the Dominion of, financing.	1630-1631, 1658-1, 1658-3
Capital, importance of, in selecting underwriting groups.	11543-11545, 11552, 11604, 1642
Capital position of investment bankers, methods of determining.	11543-11545
Carlisle, Floyd L.	11562-11565, 1647-1
Cassatt & Co., Incorporated.	1629
Castle, Sidney L.	11390
Cavalier, Wm., & Co.	1629
Central Illinois Electric & Gas Company financing.	1640-5-1640-15, 1640-22-1640-23, 1640-45
Central Maine Power Company financing.	11530, 1630, 1658-3
Central New York Power Corporation financing.	1631, 1658-1
Central Republic Company.	1629, 1640-6-1640-7, 1640-12, 1640-22-1640-24, 1640-44
Central States Electric Company.	1640-35
Certificate of incorporation of investment banking firm, example of.	1526
Chace, Whiteside & Co.	1629
Chapman, Niles.	1640-19-1640-20
Chase Corporation, The:	
Dissolution of securities business.	11514, 1615-1617
Relation to The Chase National Bank.	1616
Stockholders of, interests in The First Boston Corp.	11512, 1616-1617
Chase Harris Forbes Corporation:	
Disposition of records after dissolution.	11513, 1616-1617
Goodwill of, acquired by The First Boston Corp.	11513-11516, 1616-1620, 1625
History.	11516, 1615-1616, 1620, 1626
Personnel of, affiliation with The First Boston Corp.	1617, 1620
Realignment of underwriting interests of, after Banking Act of 1933.	11522, 1624
See also Harris, Forbes companies.	

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
Chase, Henderson & Tenant.....	11517, 1622
Chase National Bank of the City of New York, The:	
Compliance with the Banking Act of 1933.....	1620
Fiscal services.....	1637
Loans of.....	1640-15, 1640-26-1640-27
Relation to The Chase Corporation.....	1616
Chase Securities Corporation:	
Originations, 1927-1930, amount.....	1534
<i>See also</i> Chase Corporation, The.	
Chemical Bank & Trust Co.....	1636-6-1636-7
Chesapeake and Ohio Railway Company financing.....	1631, 1658-1
Cheston, Radcliffe, Jr.....	1565
Chicago, Burlington & Quincy Railroad Company:	
Guarantors of Chicago Union Station Co. security issues.....	11799,
11813, 11818, 11820, 1545, 1549-1-1549-2, 1551-1, 1554-1,	
1556-1, 1558-1, 1565.	
Stock interest in Chicago Union Station Co.....	11430, 11812
<i>See also</i> Budd, Ralph.	
Chicago Corporation.....	11429
Chicago, Milwaukee, St. Paul & Pacific Railroad Company:	
Guarantors of Chicago Union Station Co. security issues.....	11799,
11813, 11818, 11820, 1545, 1549-1-1549-2, 1551-1, 1554-1,	
1556-1, 1558-1, 1565.	
Letters concerning use of documents.....	11427-11428, 1538-1, 1539-2
Stock interest in Chicago Union Station Co.....	11430, 11812
Trustees.....	11818, 11820
Chicago Union Station Co.:	
Description of business.....	11803
Financial statements.....	11805-11806
Organization of.....	11430
Stock interests in.....	11430, 11812
Chicago Union Station Co. financing.....	11426-11478,
11798-11825, 1538-1-1597-2, 1658-2, 1670, 1756, 1759-1-1759-2	
Agreements between bankers concerning future business.....	11431-11432, 1540-1543
Guarantors of.....	11799, 11812-11813, 11818, 11820-11821,
1545, 1549-1-1549-2, 1551-1, 1554-1, 1556-1, 1558-1, 1565	
Interest of commercial banks in underwriting group after Banking	
Act of 1933:	
Interests of:	
Continental Illinois National Bank.....	11447-11451, 1570-1576
First National Bank of New York.....	11443-11445, 11450-11454,
11460-11462, 11465, 11469-11471, 1568, 1576-1579, 1589, 1595	
J. P. Morgan & Co.....	11469-11471, 1595
Issues:	
\$30,000,000 4½% "A" Due 1963, offered Feb. 1916.....	11432-11434, 11438, 1545-1548
\$10,000,000 6½% "C" Due 1963, offered April, 1920.....	11435-11436, 11438, 1549-1-1550
\$6,000,000 6½% "C" Due 1963, offered May, 1921.....	11436, 11438, 1551-1-1553-4
\$6,150,000 5% "B" Due 1963, offered May, 1922.....	11436-11438, 1554-1-1555
\$7,000,000 5% "B" Due 1963, offered Jan., 1924.....	11437-11438, 1556-1-1557
\$7,000,000 5% Guaranteed Due 1944, offered Nov. 1924.....	11437-11438, 1558-1-1559
\$850,000 ¼% "A" Due 1963, offered Nov., 1924.....	1559
Summary, 1916-1924.....	11438, 1560
\$16,000,000 4% "D" Due 1944, offered March, 1935.....	11440-11461, 1565-1588-1, 1756
\$2,100,000 4% Guaranteed, Due 1944, offered March, 1935.....	11440-11461, 1565, 1569-1578, 1580-1587, 1588-2, 1756
\$44,000,000 3¾% "E", Due 1963, offered April, 1936.....	11462-11474, 1589-1597-1

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

Chicago Union Station Co. financing—Continued.

	Page
Issues—Continued.	
\$7,000,000 3½% Due 1951, offered August, 1936.....	11474, 1597-2
\$600,000 1¼% Guaranteed notes offered April, 1940.....	11804,
	11813, 11819, 11821-11822
\$16,000,000 3¼% "F" Due 1963 offered April, 1940.....	11478,
	11798-11825
\$16,000,000 3¼% "F" Due 1963, offered April, 1940:	
Bid of Halsey, Stuart & Co. and associates.....	11478,
	11799, 11802, 11808-11817
Hearings before Interstate Commerce Commission---	11812-11821
Invitations to make competitive bids.....	11798-11804,
	11813-11814, 11816-11817
Offers made by Kuhn, Loeb & Co. and associates.....	11799,
	11814-11815
Replies to invitations to bid....	11799, 11807-11808, 11814-11817
Subunderwriters.....	11822-11823
Underwriting group and participations.....	11822, 11825
Participations in security issues of.....	11433-11438,
	11459-11465, 11469-11473, 11822, 11825, 1548, 1550, 1552,
	1555, 1557, 1559-1560, 1579, 1588-1-1588-2, 1597-1-1597-2
Refundings, <i>See</i> Issues, (those offered in 1935, 1936, and 1940).	
Selection of underwriting associates by Kuhn, Loeb & Co. and Lee,	
Higginson & Co.....	11442-11456,
	11463, 11466, 11472-11474, 1565-1569, 1576-1580, 1589, 1596-2
Sources of documents.....	11427-11428, 1538-1539
Successions to underwriting interests:	
Brown Harriman & Co., Inc. to interest of National City Co....	11441-
	11443, 11447, 1565-1567, 1570
Lazard Freres & Co., E. B. Smith & Co., and White, Weld & Co.	
to interests of First National Bank of New York.....	11451-
	11453, 11460-11461, 11464-11466, 11468, 1576-1579, 1589
Field, Glore & Co. to interest of Continental Illinois National	
Bank.....	11447-11451, 1570-1576
Interest of J. P. Morgan & Co.....	11451-
	11452, 11462-11464, 11468-11471, 1589-1590, 1593-1595
Underwriting documents used in.....	11802-
	11804, 1547-1-1547-2, 1549-1-1549-2, 1551-1-1551-2, 1553-1-
	1554-2, 1556-1-1556-2, 1558-1-1558-2, 1575, 1586-1-1586-2.
Underwriting group:	
Changes in syndicate necessitated by Banking Act of 1933.....	11440
Changes in syndicate necessitated by organization of Morgan	
Stanley & Co.....	11462-11472, 1589-1590, 1593, 1595
Extent to which crystallized.....	11473-11476
Chicago & Western Indiana R. R. Co. financing.....	1631
Chickering, Allen L.....	11509, 1614-21, 1614-26
Cincinnati Union Terminal Co. financing.....	1631, 1658-1
City Company of New York, Inc. <i>See</i> National City Co.	
Clark, Benjamin.....	1611-2
Clark, Carr & Ellis.....	11407
Clark, Dodge & Co.	
Deposits with J. P. Morgan & Co.....	1651-2
Loans from J. P. Morgan & Co.....	1651-3
Participations in issues managed by The First Boston Corp.....	1629
Participations in security issues and negotiations therefor:	
Securities of:	
Chicago Union Station Co.....	11434-11436,
	11438, 1548-1548, 1550, 1560
Crane Co.....	1652-4
Clark, E. W., & Co.....	1629
Clayton Act, interlocking directorate provisions:	
Question of applicability to Glore, Forgan & Co.'s participation in	
Chicago Union Station Co. financing.....	11455-11459, 1581-1585
Quoted.....	11456-11457, 1582-1
Clement, Martin W.....	11798-11808, 11814, 1571
Cleveland Electric Illuminating Company, The, financing.....	1658-4

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
Cleveland Trust Company.....	11492-11493, 11550, 1604-1605
Cochran, G. I.....	1639-3
Coffin & Burr, Inc.:	
Participations in security issues and negotiations therefor:	
Securities of:	
Southern California Edison Co.....	11542-11543,
1639-1-1639-2, 1639-8, 1639-10-1639-11, 1639-14, 1639-17	
Other companies.....	1640-12, 1640-22-1640-23, 1640-29
Reciprocal business with The First Boston Corp.....	1629
Coggeshall, James, Jr.....	11576, 1617, 1621
Coggeshall, Thomas.....	1621
Collins, J. H.....	1640-17-1640-18
Commercial banking:	
Divorcement from investment banking.....	11384-11426,
11440, 11535, 1628-1637, 1615-1618, 1620, 1632	
<i>See also</i> Banking Act of 1933; Commercial banks, interests in	
underwriting groups; Succession to underwriting interests.	
<i>See also</i> Commercial banks	
Commercial banks:	
Deposits by investment bankers in.....	11470,
11535-11538, 11577-11582, 1643, 1645, 1649-1650, 1651-2	
Fiscal services performed by (e. g. acting as trustee under indenture,	
paying or transfer agent, registrar, etc.).....	11470,
11583-11539, 1634-1635, 1636-1, 1636-6-1636-7, 1637	
Interests in Chicago Union Station Co. underwriting group after	
Banking Act of 1933.....	11443-11445, 11447-11454,
11460-11462, 11465, 11469-11471, 1668, 1676-1679, 1689, 1695	
Loans to investment banking firms.....	11581, 1651-3
Originations of securities by affiliates of, 1927-1930, amount.....	1534-1535
Reciprocity with investment bankers.....	11538-11539, 1633-1636-6
<i>See also</i> Commercial banking	
Commercial Credit Company financing.....	1631, 1658-3
Common stocks, attitude of investment bankers toward distribution of.....	11556-11558, 1644
Competition in investment banking.....	11523-11524, 11566
Competitive bid on security issue, example of.....	11808
Competitive bidding:	
Opposition to, by investment bankers....	11807-11808, 11814, 11816-11817
Suggestion by Interstate Commerce Commission in Chicago Union	
Station Co. financing.....	11448, 11478, 11799, 11814-11815, 1756
Consolidated Edison Co. of New York, Inc. financing.....	11480, 11553, 11557-11563,
11572, 1631, 1642, 1644, 1646-1648, 1653-2, 1658-1	
Relative positions of Blyth & Co., Inc. and Morgan Stanley & Co.	
in.....	11567-11568, 11572, 1647-1648, 1653-2
Consolidated Electric & Gas Company.....	1640-6
Consolidated Gas Co. of New York, <i>See</i> Consolidated Edison Co. of	
N. Y., Inc.....	
Consolidated Oil Corporation financing.....	1658-2
Consumers Power Company financing.....	11599, 1630-1631, 1644
Container Corporation of America financing.....	11481
Continental Casualty Company.....	11429
Continental Illinois National Trust & Savings Bank of Chicago:	
Crane Co. financing.....	1652-1-1652-2, 1653-4
Succession to underwriting interest of, by Field, Gloré & Co.....	11447-11451, 1570-1576
<i>See also</i> Illinois Merchants Trust Co.; Illinois Trust and Savings Bank.	
Continental Oil Company financing.....	1631
Continental Steel Corporation financing.....	1640-19-1640-21
Couffer, James G.....	11486
County, A. J., activities in Chicago Union Station Co. financing.....	11441-11442,
11448, 11467-11468, 1565-1567, 1569, 1571, 1590-1592, 1756	
Cowell, Eugene I.....	11516, 1617, 1621
Crane Co. financing.....	1652-1-1652-6, 1658-1
Crane, Ralph T.....	11390

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
Creech, Harris.....	11492-11493, 11550, 1604-1605
Cross, Milton C.....	11409-11411
Cudd & Co.....	11517, 1622
Cumberland County Power & Light Company financing.....	1630
Cummings, Walter J.....	11811, 11818, 11820, 1640-41, 1652-1-1652-2, 1652-4
Curtis, Lewis.....	11386
Cutler, J. W., diary entries concerning Chicago Union Station Co. financing.....	11446, 11454, 11468-11469, 1669, 1677-1679, 1693
Dallas Power & Light Company financing.....	1630
Davis, Paul H., & Co.....	1629
Davis, Pierpont V.: Activities in Chicago Union Station Co. financing.....	11436, 11441, 1553-2, 1553-4, 1554-2, 1565-1567, 1756
Other activities.....	11390, 11409, 11411, 11482
Day, R. L., & Co.....	1629, 1639-19
Dayton Power & Light Company financing.....	1644
Dean, Arthur H.....	11534, 11594, 1638-5, 1696
Dean Witter & Co. <i>See</i> Witter, Dean, & Co.	
De la Chappelle, Richard.....	1639-22
Delaware, Lackawanna & Western Railroad Company.....	11430
Denton, D. W.....	1633
Dern, John.....	1640-31
Devoe, A. C.....	11812-11817
Dick & Merle-Smith.....	1629
Dick, Fairman.....	1756
Dillon, Read & Co.....	11574, 1600-14, 1629
Distributing group, selection of.....	1614-9-1614-10
Divorcement of investment banking from commercial banking.....	11384-11426, 11440, 11535, 1528-1537, 1615-1618, 1620, 1632
<i>See also</i> : Banking Act of 1933; Commercial banks, interests in underwriting groups; Succession to underwriting interests.	
Dobbins, J. D.....	1639-17
Dominick & Dominick.....	1629, 1651-2
Dominion Securities Corp.....	1629
Douglas, William O.....	1640-15
Drexel & Co.....	11551, 11580, 1642-1643, 1651-2-1651-3
<i>See also</i> Morgan, J. P., & Co.	
Dulin, Garry.....	1638-4
Duluth, Missabe & Iron Range Railway Co. financing.....	1631, 1658-1
du Pont, E. I., de Nemours & Co. financing.....	1631, 1658-1
Duquesne Light Company financing.....	1639-15, 1658-3
Earl, Guy C.....	11509
Eastern Gas & Fuel Associates financing.....	1631, 1658-3
Eastern Iowa Electric Company.....	1640-32
Eastman, Dillon & Co.....	1629, 1639-19
Eastman Kodak Company financing.....	1631
Edison Electric Illuminating Co. of Boston financing.....	1624, 1634
Edmunds, William.....	1617, 1639-11-1639-12
Electric Bond and Share Company.....	1639-5
Elkins, Morris & Co.....	1651-2-1651-3
Ellis, George O.....	11407
Elsey, Frederick, <i>See</i> Pacific Gas & Electric Co. financing.	
Emanuel & Co.....	1629
Eppel, William R.....	11390, 11409
Equitable Life Assurance Society of the United States, The.....	1639-16, 1640-13
Estabrook & Co.....	1629, 1639-1, 1639-19
Evans, Lewis' N., testimony of.....	11490
Evans, Stillman & Co.....	11800, 11808, 11814, 11816, 1629
Farwell, Chapman & Co.....	1629
Federal Reserve System.....	11593, 1655
Federated Department Stores, Inc. financing.....	1636-1
Fenton, Howard.....	11536, 1634

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

Field, Glore & Co.:

Participations in security issues and negotiations thereof:

Securities of:	Page
Chicago Union Station Co.....	11460,
11463, 11470-11473, 1570-1576, 1579, 1588-1-1688-2, 1589, 1593,	
1596-2-1597-2.	
Legality of participation, question of.....	11447-11451,
	11455-11459, 1580-1585
Southern California Edison Co.....	11543, 1638-3-
1638-4, 1639-1, 1639-6-1639-8, 1639-10, 1639-14, 1639-17	
Other companies.....	1639-6-
	1639-7, 1640-11, 1640-17, 1640-24, 1640-42-1640-44

Reciprocal business:

With Blyth & Co., Inc.....	11601, 1658-2
With The First Boston Corp.....	1629

Succession to underwriting interest of Continental Illinois National

Bank.....	11447-11451, 1570-1576
-----------	------------------------

Testimony of Charles F. Glore.....	11429-11478
------------------------------------	-------------

See also Glore, Forgan & Co.

Filene, Wm., Sons Co.....	11538-11539, 1636-1-1636-2
---------------------------	----------------------------

Financing of companies:

See names of companies financed.

Firestone, Harvey S., Jr.....	1605
-------------------------------	------

Firestone Tire & Rubber Company, The, financing.....	11480, 11493
--	--------------

First Boston Corporation, The:

Acquisition of goodwill of Harris, Forbes companies.....	11513-
	11516, 1616-1620, 1625

Capital structure of.....	1620
---------------------------	------

Cession of underwriting interests to Harris, Hall & Co.....	11528-
---	--------

	11528-11530, 11549, 1640-1-1640-4
--	-----------------------------------

Deposits with J. P. Morgan & Co.....	1651-2
--------------------------------------	--------

Financial statements of.....	1617
------------------------------	------

Loans from J. P. Morgan & Co. to.....	1651-3
---------------------------------------	--------

Nature of business.....	1620
-------------------------	------

Officers and directors.....	11516-11517, 1617, 1620-1621
-----------------------------	------------------------------

Prior affiliations of.....	11516-11517, 1617, 1618, 1620-1621
----------------------------	------------------------------------

Organization.....	11512, 1620
-------------------	-------------

Organizations of, and participations in security issues, and negotiations thereof:

Securities of:

Central Illinois Electric & Gas Co.....	1640-5-1640-11
---	----------------

Chicago Union Station Co.....	11440, 11454-11455, 11461, 11472-
-------------------------------	-----------------------------------

11473, 11822, 11825, 1564, 1579, 1588-1-1589, 1593, 1596-2-1597-2	
---	--

Los Angeles Gas & Electric Corporation.....	1628-2-1628-3,
---	----------------

	1628-5, 1638-1, 1640-4
--	------------------------

Pacific Gas & Electric Co.....	11495, 1600-14,
--------------------------------	-----------------

	1606, 1611-4, 1614-4, 1614-7, 1614-9
--	--------------------------------------

Southern California Edison Co.....	11535-11538,
------------------------------------	--------------

	11540-11543, 1638-1-1639-23
--	-----------------------------

Other companies.....	11573, 1639-6-
----------------------	----------------

	1639-7, 1640-24, 1640-28-1640-29, 1640-38, 1640-44, 1644-
--	---

	1645, 1648.
--	-------------

Performance records kept by.....	1639-23
----------------------------------	---------

Predecessor companies.....	11512, 1626
----------------------------	-------------

Question of arrangement with Harris, Hall & Co. for division of

business.....	11528-11530
---------------	-------------

Reciprocal business:

Records kept by H. M. Addinsell.....	11529-11534,
	11597, 1629-1631

With Blyth & Co., Inc.....	1658-3
----------------------------	--------

With Harris, Hall & Co.....	11528-11530, 1629-1630
-----------------------------	------------------------

With Morgan, Stanley & Co.....	11532, 1629, 1631
--------------------------------	-------------------

Relations with The First National Bank of Boston.....	11512, 11514,
---	---------------

	11516, 1615-1618, 1620
--	------------------------

Relations with Harris, Hall & Co.....	11528-11530,
---------------------------------------	--------------

	11548-11549, 1628-3-1628-8, 1640-4-1640-11, 1640-28-1640-29
--	---

Relations with A. W. Harris.....	1625, 1632
----------------------------------	------------

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
First Boston Corporation, The—Continued.	
Relations with Harris Trust and Savings Bank.....	1625, 1632-1634, 1639-7
Relations with Kuhn, Loeb & Co.....	11514-11515, 1618
Relations with Lehman Brothers.....	11522, 1624
Selection of trustees, etc. for security issues.....	1635
Stock interests in.....	11512-11513, 11517-11519, 1615-1617, 1620, 1622, 1636
Stock interests by officers of, in Harris, Hall & Co.....	11527
Succession to underwriting interests of Harris, Forbes companies....	11513- 11516, 1616-1620, 1625
Testimony of George D. Woods.....	11503-11505, 11511-11546
First of Boston Corporation, The.....	11512, 1616-1617, 1620
See First Boston Corporation, The.	
First British American Corporation, Ltd.....	1621
First National Bank of Boston:	
Compliance with Banking Act of 1933.....	11512-11513, 1615-1618, 1620
Fiscal services performed by.....	11539, 1636-1
Relations with The First Boston Corp.	11512, 11514, 11516, 1615-1618, 1620
Security affiliates.....	11512
Stock interests held by, in The First Boston Corp.....	11512, 1616
First National Bank, New York:	
Deposits of investment bankers with.....	11470
Participations in security issues and negotiations therefor:	
Securities of:	
Chicago Union Station Co.....	11433, 11435, 11438, 1545, 1547-1-1551-1, 1552-1554-2, 1556-1, 1557, 1558-1, 1559-1560, 1587.
Interest in underwriting group after Banking Act of 1933..	11443- 11445, 11450-11454, 11460-11462, 11465, 11469-11471, 1568, 1576-1579, 1589, 1595.
Pacific Gas & Electric Co.....	1602-1605
Succession to underwriting interest of, by Lazard Freres & Co., E. B. Smith & Co., and White, Weld & Co.....	11451-11453, 11460-11461, 11464-11466, 1576-1579, 1539
Testimony of Henry S. Sturgis.....	11429-11478
First National Corporation, The.....	1620
First National Old Colony Corp.....	11512, 1616, 1620
First of Michigan Corporation.....	1629
First Old Colony Corp.....	11512
First Securities Co. of Los Angeles.....	11542, 1639-2
Fiscal services performed by banks (e. g. acting as trustee under indenture, paying or transfer agent, registrar, etc.).....	11470, 11538-11539, 1634-1636-1, 1636-6-1636-7, 1637
Fogarty, James F.....	11508, 1613, 1614-17, 1614-20
Ford, Bernard W.....	1644, 1648
See also Pacific Gas & Electric Co. financing.	
Ford, Nevil.....	11513, 11516-11517, 11522, 1615, 1617, 1621-1622, 1624, 1634
Forgan, J. Russell.....	11448-11450, 1571-1575
Fox, Morris F., & Co.....	1629
Francis Bro. & Co.....	1629
Fratcher, Frank.....	1640-32-1640-33, 1640-35-1640-37
Freeman & Co.....	11799-11800, 11807, 11814, 11816
Frost, Edward J.....	11538-11539, 1636-1-1636-2
"Frozen accounts" See Underwriting groups, permanence of.	
Frye, Newton P.....	1640-6-1640-7
Garland, Charles S.....	11390
Garrett, Robert, & Sons.....	1629, 1651-2
Gatineau Power Company financing.....	1630, 1658-3
Geddes, Donald G.....	11433-11434, 1546
General American Investors Company, Inc.....	11480
General American Transportation Corporation financing.....	1658-2
General Mills, Inc.....	11430
General Motors Acceptance Corporation financing.....	1631, 1658-1
Geographical considerations in selecting underwriting groups.....	11569
Gerade, Alfred A.....	1617, 1621

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
Gillman, Charles H., & Co.	1629
Ginsberg, David	1640-15
Glass, Senator Carter	11403
Glore, Charles F.:	
Activities in Chicago Union Station Co. financing	11447-11451,
11455-11459, 1670-1675, 1580-1581, 1583-1585, 1590-1592	
Other activities	1633-4, 1640-11, 1640-24, 1640-42-1640-44
Directorships	11429
Testimony of	11429-11478
Glore, Forgan & Co.:	
Participations in security issues	11822,
11825, 1629, 1640-12, 1640-22-1640-23	
Testimony of Charles F. Glore	11429-11478
<i>See also</i> Field, Glore & Co.	
Goldman, Sachs & Co.:	
Declines to bid on Chicago Union Station Co. financing	11799,
11807, 11814, 11816	
Deposits with J. P. Morgan & Co.	1651-2
Participations in security issues and negotiations therefor	1639-19, 1640-17
Reciprocal business with The First Boston Corp.	1629
Goodwill, acquisition of, from predecessor organizations:	
By Brown, Harriman & Co. from National City Co.	11391-11394,
11491-11494, 1523, 1604-1605	
By The First Boston Corp. from Harris, Forbes companies	11513-11516,
1616-1620, 1625	
By Edward B. Smith & Co. from Guaranty Co. of N. Y.	11523,
11559, 1625, 1645	
<i>See also</i> Banking Act of 1933, realignments of underwriting interests after; Succession to underwriting interests	
Goodwin, —	1640-11
Graham, Parsons & Co.	1629
Granbery, Safford & Co.	1629, 1640-12, 1640-22-1640-23
Great Northern Railway Company, The	1631, 1640-17, 1653-1
Green, D. C.	1640-40
Green, Ellis & Anderson	1629
Griffis, Stanton	1639-20
Griffiths, Mansel P.	11486
Guaranty Company of New York:	
Originations of securities, 1927-1930, amount	1534
Underwriting interests succeeded to by E. B. Smith & Co.	11523,
11559, 1625, 1645	
Guaranty Trust Company of New York	11384, 11523, 1625, 1634, 1649-1650
Gude, Winmill & Co.	11827
Gulf States Utilities Company financing	1653-1
Gutman, Monroe C.	1624
Haight, George I.	11818, 11820-11821
Hale, Waters & Co., Inc.	1629
Hall, Edward B.	11526,
11548, 1626, 1628-3-1628-4, 1640-1, 1640-3-1640-4, 1640-8-	
1640-11, 1640-16-1640-17, 1640-24, 1640-31, 1640-33-1640-43	
Hall, Perry E.	1652-2
Hallgarten & Co.	1629
Hallowell, N. Penrose	11452, 11463, 1580
Halsey, Stuart & Co., Inc.:	
Competitive bid on Chicago Union Station Co. financing	11478,
11799, 11802, 11808-11817	
Participations in security issues	1640-12, 1640-22-1640-24
Reciprocal business with The First Boston Corp.	1629
Hambuechen, Joseph W.	11516, 1621-1622
Hammerslough, William J.	1624
Hammons & Co., Inc.	1629
Hanauer, Jerome J.	11433-11434, 1545-1546
Hancock, John, Mutual Life Insurance Co.	1639-16, 1640-14
Harriman Brothers & Co.	11386
Harriman, Elizabeth	11412

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
Harriman, E. Roland	11386, 11412
<i>See also</i> Brown Brothers Harriman & Co.; Harriman family	
Harriman family, capital interests in Brown Harriman & Co. Inc. and Brown Brothers Harriman & Co.	11394-11396, 11400-11404, 11412, 11421, 1531, 1536
Harriman, Kathleen L.	11412
Harriman, Mary Averell	11412
Harriman, Phyllis	11412
Harriman Ripley & Co., Incorporated:	
Capital interest of Harriman family in	11403-11405, 11412, 11421, 1531
Change of name from Brown ¹ Harriman & Co., Incorporated	11403
Officers and directors	11408-11410, 1532
Originations, participations, and profits	11425, 11440, 11822, 11825, 1537, 1562
Voting trust agreement	11403-11408, 11411-11421, 1533
<i>See also</i> Brown Brothers Harriman & Co.; Brown Harriman & Co., Inc.	
Harriman, W. A., & Co.	11406
Harriman, W. A., Securities Corporation	11385
Harriman, W. Averell:	
Directorships	11385
Extent of activities in:	
Brown Brothers Harriman & Co.	11405
Brown Harriman & Co., Inc.	11405-11406, 11419-11425
Stock interest in Harriman Ripley & Co., Inc.	11404, 1531
Testimony of	11384-11408, 11417-11425
<i>See also</i> Brown Brothers Harriman & Co.; Brown Harriman & Co., Inc.; Harriman family; Harriman Ripley & Co., Inc.	
Harris, Albert W.:	
Activities in Southern California Edison Co. financing	11523- 11525, 11535-11537, 1625, 1632, 1638-2, 1638-4, 1639-7, 1639-13
Relations with The First Boston Corp.	1625, 1632
Harris, Forbes & Company, <i>See</i> Harris, Forbes companies	
Harris, Forbes & Company, Inc., <i>See</i> Harris, Forbes companies	
Harris, Forbes companies:	
Arrangement with Harris Trust & Savings Bank for the division of business	11524-11526
Goodwill of, acquired by The First Boston Corporation	11513- 11516, 1616-1620, 1625
History of	1620, 1626
Liquidation of	1616
Participations in Southern California Edison Co. financing	11542- 11543, 1639-2
Personnel, affiliation with The First Boston Corp.	1617, 1620
<i>See also:</i> Chase Harris Forbes Corporation; First Boston Corporation, The; Harris, Hall & Company	
Harris, Hall & Company:	
Capitalization	11519, 1627
Cession of underwriting interests to, by The First Boston Corp.	11528- 11530, 11549, 1628-3-1628-8, 1640-1-1640-4
Originations of, and participations in security issues, and negotiations therefor:	
Securities of:	
Central Illinois Electric & Gas Co.	1640-5- 1640-15, 1640-22-1640-23
Iowa Electric Co.	1640-23, 1640-32-1640-33
Los Angeles Gas & Electric Corporation	11528- 11548-11549, 1628-3-1628-8, 1638-3, 1640-1, 1640-4
Public Service Co. of Oklahoma	1640-39-1640-44
Other companies	11574, 1640-16-1640-17, 1640-24, 1640-30-1640-31
Relations with The First Boston Corp.	11528-11530, 11548-11549, 1628-3-1630, 1640-4-1640-11, 1640-23-1640-29
Question of arrangement for the division of business	11528-11530
Reciprocal business	11528-11530, 1629-1630
Stock interests in	1627
Held by officers of The First Boston Corp.	11527-11528

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
Harris, Norman W.-----	11526-11527, 11548, 1627, 1628-7-1628-8, 1640-1
Harris, N. W., & Co.-----	11525, 1620
Harris Trust & Savings Bank:	
Arrangement with Harris, Forbes companies for the division of busi-	
ness-----	11525-11526, 1626
Compliance with the Banking Act of 1933-----	11535-11537,
11548, 1632, 1640-39	
Deposits in-----	11538, 1639
History of-----	1620, 1626
Loans by-----	1640-19, 1640-26-1640-27
Los Angeles Gas & Electric Co. financing-----	1634-1, 1640-1
Relations with The First Boston Corp.-----	1625, 1632-1634, 1639-7
Succession to underwriting interests of--	11524-11526, 11548, 1625, 1640-39
Harris, Upham & Co.-----	11827
Harrison, John D., <i>See</i> Pacific Gas & Electric Co., financing.	
Haskell, ---	1545
Haskins & Sells-----	1617
Hawes, Stewart S.-----	11486, 1601, 1648
Hawley, Hulles & Co.-----	1629
Hayden, Miller & Co.-----	1629
Hayden, Stone & Co.-----	1629, 1639-19, 1644
Hearst, William Randolph, interests-----	1601, 1645
Hecker Products Corporation-----	11430
Heidelbach, Ickelheimer & Co.-----	11827
Hemphill, Noyes & Co.-----	1629, 1639-20-1639-21, 1651-2-1651-3
Henderson, Commissioner Leon, statements by, concerning purpose of in-	
vestment banking hearings-----	11383-11384, 11479
Hershey Chocolate Corporation financing-----	11480
Heywood, Gene B.-----	11548, 1640-1-1640-3, 1640-8, 1640-28, 1640-33, 1640-44
Higginson, Francis L., Jr.-----	11431, 1640-1541, 1545
Hine, Francis L.-----	11433, 1545
Historical relationship in selecting members of underwriting groups.-----	11569-11572
<i>See also</i> Chicago Union Station Co. financing	
Hockenbeamer, A. F., <i>See</i> Pacific Gas & Electric Co. financing	
Holden, ---	11433, 1545
Hooper, Leverett F.-----	11450-11451, 1576-1578
Hoover, Loring-----	11506,
11596, 1608, 1613, 1614-11, 1614-17, 1614-20, 1658-1	
Hornblower & Weeks-----	1629, 1639-1, 1639-19, 1651-2
Hough, T. E.-----	1640-24
Houston, Frank K.-----	1636-6-1636-7
Howe, Burton A.-----	1639-4
Howe, James-----	1640-6
Huff, Charles H., testimony of-----	11392-11393, 11439-11440, 11547-11548
Hutton, E. F., & Co.-----	1639-1, 1639-8
Hutton, W. E., & Company-----	1629, 1639-19
Idaho Power Company financing-----	1630, 1658-3
Illinois Bell Telephone Company financing-----	11555, 11573, 1631, 1644
Illinois Central Railroad Company-----	11385
Illinois Company of Chicago, The-----	1640-11-1640-12,
1640-22-1640-24, 1640-44	
Illinois Merchants Trust Co.:	
Participations in Chicago Union Station Co. financing-----	11437-11438,
1556-1, 1557, 1558-1, 1559-1560, 1587	
<i>See also</i> Continental Illinois National Bank & Trust Co. of Chicago.	
Illinois Public Service Commission-----	11433, 1545
Illinois Trust & Savings Bank:	
Participations in Chicago Union Station Co. financing-----	11433, 11435,
11437-11438, 1545, 1647-1-1651-1, 1552, 1553-3, 1554-1-1555	
1560, 1587.	
<i>See also</i> Continental Illinois National Trust and Savings Bank of	
Chicago; Illinois Merchants Trust Co.	
Indianapolis Power & Light Company financing-----	1636-3-1636-7
Industrial Rayon Corporation financing-----	1658-2
Inland Steel Company financing-----	1658-2

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, *see* Schedule of Exhibits.

	Page
Insurance companies, purchases of securities by.....	1639-14, 1639-16
International Agricultural Corporation.....	11430
Interstate Commerce Commission:	
Competitive bidding suggested for Chicago Union Station Co. financing by.....	11448, 11478, 11799, 11814-11815, 1572
Hearings on Chicago Union Station Co. financing.....	11812-11821
Investment bankers:	
Borrowings from commercial banks.....	11581, 1651-3
Deposits in commercial banks.....	11470,
11535-11538, 11577-11582, 1633, 1643, 1645, 1649-1650, 1651-2	
Exchanges of confidential information among.....	11583-
11586, 1634, 1647, 1653-1-1653-2	
Financial responsibility of, under Securities Act of 1933.....	11575
Houses of issue, compared with distributing houses.....	11600, 1644
Management fees, determination of.....	1640-42-1640-43
Methods of determining capital position of.....	11543-11545
Preferential rights to future financing.....	11515, 1617, 1619
Selection of distributing groups.....	1614-9-1614-10
Stockholdings in other investment banking firms by.....	11517-
11519, 11527-11528, 1622, 1696	
<i>See also</i> Banking Act of 1933; Investment banking; Underwriting group; and individual firms	
Investment Bankers Association of America.....	11506, 1613
Investment banking:	
Advertisement of security issue, benefits of position in.....	11499
By publicly owned as compared with privately owned corporations.....	11415,
11519-11520	
Competition in.....	11523-11524, 11566
Crisis of October 1937 in.....	11587-11589, 1654
Divorcement from commercial banking.....	11384-11426,
11440, 11535, 1528-1537, 1615-1618, 1620, 1632	
<i>See also</i> Banking Act of 1933; Commercial banks, interest in underwriting groups; Succession to underwriting interests.	
Documents used in, examples of:	
Certificate of incorporation.....	1526
Competitive bid on security issue.....	11808
Invitation to submit competitive bids.....	11802-11804
Letter descriptive of securities sold.....	1549-1
Letters to stockholders.....	1523, 1616-1617
Purchase group letter.....	1547-1,
1553-1-1553-2, 1575, 1586-1, 1596-1-1596-3	
Purchase group letter, acknowledgement of.....	1547-2,
1553-3-1553-4, 1586-2	
Sales contract.....	1549-2
Sales contract, confirmation of.....	1551-2
Voting trust agreement for stock of investment banking firm.....	1533
Importance of capital in.....	11543-11545, 11552, 11604, 1642
Nature of gross and net profits in.....	11561-11562
Personal factor in acquiring and retaining accounts.....	11388-
11395, 11416-11417, 11486-11495, 11503-11505, 11553-11559,	
11562-11567, 1606, 1643-1644, 1652-1-1652-6	
Prices of securities, determination of.....	11575-11576
Professional character of.....	11394, 11566
Question of excessive number of firms in business.....	11589, 1654
Reciprocity in.....	11528-11534, 11569, 11595-11603, 1629-1631, 1658-1-1658-4
As combination in restraint of trade.....	11602-11603
"Special capital" in.....	11589-11592, 1654
Underwriting groups, permanence of.....	11473-
11476, 11507-11508, 11569-11577, 1611-3	
<i>See also</i> Banking Act of 1933; Investment bankers; Underwriting groups; and individual firms.	
Investment Service Corporation.....	1621
Investors Trust Company.....	1629
Invitation to submit competitive bids on security issue, example of.....	11802-11804
Iowa Electric Company financing.....	1640-23, 1640-32-1640-38

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

Iowa Electric Light & Power Company financing	11529, 1630, 1640-25-1640-29
Jackson & Curtis	11518, 1622, 1629, 1639-19
James, J. C.	11818
Jesup, Edward N.: Activities in Chicago Union Station Co. financing	11443-11444, 11450-11453, 11463-11466, 11469, 11825, 1568, 1576-1577, 1589
Testimony of	11429-11478
John Hancock Mutual Life Insurance Co.	1639-16, 1640-14
Johnson, H. W.	11810-11811
Jolles, Hendrik R.	11390, 11409, 11411
Jones, Arnold W., & Co., Inc.	1629
Junior Mercantile Co.	11430
Kahn, Otto H.	1545
Kansas Power and Light Company financing	11530, 1630, 1658-3
Kaplan, Jack	11539, 1636-1-1636-2
Kean, Taylor & Co.	1629, 1651-2
Kemp, A. N.	1639-7
Kenny, Arthur B.	1617, 1622
Kidder, Peabody & Co.: Participations in security issues and negotiations therefor:	
Securities of: Southern California Edison Co.	11543, 1639-1, 1639-8, 1639-10, 1639-14, 1639-17
Other companies	11573, 1601, 1640-12, 1640-22-1640-23
Stock interest in The First Boston Corp.	1629, 1696
Kiefer-Stewart Co.	1636-3
Kuhn, Loeb & Co.: Chicago Union Station Co. financing:	
Agreements with other bankers on future business	11431-11432, 1540-1543
Originations, participations and negotiations therefor	11433-11438, 11459-11463, 11469, 11472-11473 11822, 11825, 1545, 1547-1-1560, 1579, 1587-1589, 1593, 1595-2-1597-2.
Selection of under writing associates	11442-11449, 11466, 11472-11474, 1565, 1567, 1569
Compliance with the Banking Act of 1933	11384
Dominant position in Wall Street	11587-11589, 1654
Letters concerning use of documents	11427-11428, 1538-2, 1539-1
Originations of security issues	11431, 11481, 1600-14, 1644, 1648
Reciprocal business:	
With Blyth & Co., Inc.	11601, 1658-2
With The First Boston Corp.	11514-11516, 1618-1619, 1629
Testimony of George W. Bovenizer	11429-11478
Testimony of Percy M. Stewart	11456-11457
Kuhn, R. Parker	1617, 1621
Ladenburg, Thalmann & Co.	11518, 1622, 1629, 1639-19
Laird, Bissell & Meeds	1629
Laird & Company	1629
Lanahan, W. W., & Co.	1629
Langley, W. C., & Co.	1629, 1639-1, 1639-19
Law, H. S.	11393, 11490
Lazard Freres & Co.: Deposits with J. P. Morgan & Co.	1651-2
Originations of, and participations in security issues, and negotiations therefor:	
Securities of:	
Chicago Union Station Co.	11461, 11469-11471, 11822, 11825, 1577, 1579, 1587-1589, 1593, 1596-2-1597-2.
Pacific Gas & Electric Co.	11480-11511, 1598-1614-24
Southern California Edison Co.	11543, 1639-1, 1639-4, 1639-8, 1639-10, 1639-14, 1639-17
Wisconsin Power & Light Co.	1640-24
Reciprocal business with The First Boston Corp.	1629
Succession to part of underwriting interest of First National Bank of New York	11452, 11461, 11465, 1576-1577, 1579, 1589
Testimony of Stanley A. Russell	11480-11485, 11511

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
Leadenhall Securities Corp.....	1629
Leadership in underwriting syndicate, <i>See</i> Advertisement of security issue;	
Investment banking; Underwriting groups; and various security issues	
Lee, Higginson & Co.:	
Chicago Union Station Co. financing:	
Agreements with other bankers on future business.....	11431-11432, 1540-1543
Participations in security issues and negotiations therefor.....	11433, 11435-11438, 1545, 1548-1553-2, 1554-1-1556-1, 1557-1560, 1687
Selection of underwriting associates.....	11443-11456, 11463, 11466, 11472-11474, 1568-1569, 1576-1580, 1589, 1596-2
Participations in other security issues.....	11573, 1640-17
<i>See also</i> Lee Higginson Corporation	
Lee Higginson Corporation:	
Deposits with J. P. Morgan & Co.....	1651-2
Originations of, and participations in security issues, and negotiations thereof:	
Securities of:	
Chicago Union Station Co.....	11463, 11471-11473, 11822, 11827, 1579, 1587-1589, 1593-1597-2
Other companies.....	11573-11575, 1639-1, 1639-4, 1639-19, 1640-12, 1640-22-1640-24, 1640-44, 1652-4, 1652-5
Relations with the First Boston Corp.....	11518, 1622, 1629, 1696
Testimony of Edward N. Jesup.....	11429-11478
<i>See also</i> Lee, Higginson & Co.	
Lee, James J.....	1575
Lehman Brothers:	
Deposits with J. P. Morgan & Co.....	1651-2
Relations with The First Boston Corp.....	11522, 1624, 1629
Selection of J. P. Morgan & Co. as registrar in security issue.....	11538-11539, 1636-1-1636-2
Lehman, Robert.....	1624, 1636-5
Leib, George.....	11505-11507, 1613, 1628-1, 1644, 1649
Records of Blyth & Co., Inc.'s reciprocal obligations, kept by.....	11595- 11604, 1658-1-1658-4
Testimony of.....	11485-11502
Cited.....	11550
<i>See also</i> Pacific Gas & Electric Co. financing.	
Letter descriptive of securities sold, example of.....	1549-1
Letters to stockholders of banking firms, examples of.....	1528, 1616-1617
Lewisohn, Adolph, & Sons.....	1629
Limbert, Lee M.....	11486, 1601, 1652-4
Linsley, Duncan R.....	11516, 1617, 1620-1621, 1634-1635, 1640-7, 1696
Stock interest in Harris, Hall & Co.....	11527, 1696
"Little Black Books". <i>See</i> First Boston Corporation, The.	
Lockhead, James K.....	1600-8
Loesch, F. J.....	11818
Logan, John S.....	1601
Long, —.....	1639-8
Los Angeles Gas & Electric Corporation financing.....	11528, 11548-11549, 1628-1-1628-8, 1638-1, 1640-1-1640-4, 1645, 1658-1, 1658-3
Los Angeles & Salt Lake Railroad Company.....	11385
Louisville & Nashville Railroad Company financing.....	1631, 1658-1
Lovelace, J. B.....	1639-5
Lovett, Robert A.....	11386
Lovett, Robert S.....	11419
Lowell, —.....	1652-1
Lyles, James.....	1634, 1640-7
Lynch, B. W.....	1635
Mackubin, Legg & Co.....	1629
Macomber, John R.:	
Activities in Southern California Edison Co. financing.....	11523-11524, 11535-11537, 1625, 1632, 1634, 1638-1-1638-2, 1638-5, 1639-9, 1639-11-1639-12, 1639-15, 1639-18.

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
Macomber, John R.—Continued.	
Other activities.....	11512, 11514-11516, 1617-1618, 1620-1621
Stock interest in The First Boston Corp.....	11517, 1622, 1696
Stock interest in Harris, Hall & Co.....	11527
Mahaffie, Commissioner Charles D.....	1756
Maine Securities Co.....	1629
Management fees, determination of amount of.....	1640-42-1640-43
Mann, Henry.....	11390
Marks, Lawrence M., & Co.....	1629
Martine, Reginald.....	11390, 11409
Mathers, Lloyd C., testimony of.....	11521
Mathews, —.....	1601
Maxson, L. Meredith.....	1617, 1621
Mayer, Harry F.....	11390
Mazur, Paul M.....	11538-11539, 1624, 1636-1-1636-2
McCarter, Thomas.....	11578, 1643
McClure, Donald C.....	1640-13-1640-15
McDonnell, Donald M.....	11486
McEldowney, Howard V.....	1615
McGregor, W. E.....	1626
McIntyre, Scott.....	1640-34-1640-36
McIntyre, Scott, & Company.....	1640-34-1640-36
McLeod, Young, Weir & Co., Ltd.....	1629
McNair, Frank.....	1626
McRoberts, Samuel.....	11431, 1543, 1545
Meek, Charles.....	1653-2
Mellon Securities Corporation.....	11574, 1629
Merchant Sterling Corp.....	11412
Merrill, Turben & Co.....	1629
Metropolitan Life Insurance Co.....	1639-16
Meyer, Commissioner Balthasar H.....	1756
Meyer, Ben R.....	1639-5
Middle West Corporation.....	11548, 1640-39-1640-41
Miller, C. O. G.....	1640-2, 1645
<i>See also</i> Pacific Gas & Electric Co. financing.	
Minneapolis General Electric Company financing.....	1639-15
Minsch, Monell & Co., Inc.....	1629
Mississippi Valley Corporation.....	11385
Missouri Power & Light Company financing.....	1630, 1658-3
Mitchell, Charles E.: Activities concerning Blyth & Co., Inc.'s relations with Morgan Stanley & Co.....	11488, 11551-11568, 11576-11602, 1601, 1642-1645, 1647-1650, 1652-1-1652-6, 1653-1, 1654-1656-1, 1657, 1658-1
Activities in financing of Anaconda Copper Mining Co.....	11482, 11576, 1644-1645, 1653-2
Crane Co.....	1652-1-1652-6
Consolidated Edison Co. of N. Y., Inc.....	11553, 11557-11568, 11572, 1642, 1644, 1647-1648, 1653-2
Los Angeles Gas & Electric Corporation.....	11528, 1628-6-1628-8, 1640-4
Activities, other.....	11416, 1535
Affiliation with Blyth & Co., Inc.....	11487-11488, 11549, 1601
Claim of heirship to business of National City Co., discussed.....	11492- 11493, 11550, 1604-1605
Relations with J. P. Morgan & Co.....	11551-11555, 11559, 11572-11573, 11577-11580, 1643, 1645, 1647, 1649-1650
Testimony of.....	11549-11604
Mitchell, Sidney A.....	1614-4, 1639-5
Mitchum, Tully & Co.....	1629
Monnet Murnane & Co.....	1640-16
Montgomery, John C.....	11516, 1621
Montgomery Ward & Co., Inc.....	11429
Mooney-Mueller-Ward Co.....	1636-3
Moore, Horace D.....	11454, 1578-1579
Moore, Leonard & Lynch.....	1629
Moore, Phillip.....	1640-31

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
Moore, Walton.....	1601
Morgan, J. P., & Co.:	
Compliance with Banking Act of 1933.....	11384, 11440, 11461, 11551, 11578-11579, 1642
Deposits by investment bankers with.....	11577-11582, 1643, 1645, 1649-1650, 1651-2
Dominant position in Wall Street.....	11552, 11578-11580, 11583, 11588-11591, 1642
Fiscal services preformed by.....	11539, 1636-2
Loans to investment banking firms.....	11581, 1651-3
Originations of and participations in security issues, and negotiations therefor:	
Securities of:	
American Telephone & Telegraph system.....	11573-11574
Chicago Union Station Co.....	11433, 11435, 11438, 11469-11471, 1545, 1548, 1550, 1552, 1555, 1557, 1559-1560, 1587, 1595
Pacific Gas & Electric Co.....	1602-1603
Relations with Morgan Stanley & Co.....	11579-11580, 11589-11591, 1643, 1645, 1651-2
Stock interests in public utility companies.....	11556-11558, 1644
Succession to underwriting interests of, by Morgan Stanley & Co.....	11462- 11471, 11554, 1589, 1593, 1595, 1643-1644
<i>See also</i> Drexel & Co.; Morgan Stanley & Co.	
Morgan Stanley & Co., Incorporated:	
American Telephone & Telegraph system financing.....	11554-11556, 11570-11576, 1642
Deposits with J. P. Morgan & Co.....	1651-2
Dominant position in Wall Street.....	11551-11553, 11578-11580, 11583-11594, 1642
Charge of monopoly anticipated.....	11593-11594, 11602-11603, 1655
Guarantee of solvency of syndicate members.....	11575
Questionnaire on underwritings by other first.....	11592-11594, 1655-1657
Suggestions of consolidations, buy-outs, etc., made by... ..	11587-11591, 1654
Survey of Wall Street conditions.....	11583-11589, 1647, 1653-2
Nature of business as "house of issue".....	11588, 1644
Organization.....	11551, 1642-1643
Originations of and participations in security issues, and negotiations therefor:	
Securities of:	
American Telephone & Telegraph system.....	11554-11556, 11570-11576, 1642
Chicago Union Station Co.....	11462-11464, 11469-11472, 11799, 11806, 11814-11817, 11822, 11825, 1587, 1589, 1593, 1596-2, 1597-1-1597-2.
Consolidated Edison Co. of N. Y., Inc.....	11480, 11553, 11557-11568, 11572, 1642, 1644, 1647-1648, 1653-2, 1658-1
Other companies.....	11554, 1600-14, 1644, 1652-1-1652-6
Participations ceded to:	
Blyth & Co., Inc.....	11595, 11597-11600, 1658-1
The First Boston Corp.....	11532, 1629, 1631
Performance and profit records kept by.....	11584-11586, 1647, 1653-1-1653-2
Relations with Blyth & Co., Inc.....	11488, 11551-11568, 11576-11602, 1601, 1642-1645, 1647-1650, 1652- 1-1653-1.
Relations with J. P. Morgan & Co.....	11579-11580, 11589-11591, 1643, 1645, 1651-2
Succession to underwriting interests of J. P. Morgan & Co....	11462-11471, 11554, 1589-1590, 1593-1595, 1643-1644
<i>See also</i> Morgan, J. P., & Co.	
Morris, Ray.....	11386

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
Moseley, F. S., & Co.:	
Holdings of The First Boston Corp.'s stock	11517, 1622, 1696
Participations in security issues and negotiations therefor	1629, 1639-1, 1639-19, 1640-11-1640-12, 1640-21-1640-23, 1640-29
Mountain States Telephone & Telegraph Co. financing	11574, 1631, 1658-1
Mudge, Louis G.	1617, 1621
Mueller, G. H.	1636-3
Muhfeld, George O.	1639-15
Mullendore, W. C.	1638-2
Murnane, George	1640-16
Murphy, G. M.-P., & Co.	1629
Murray, James	1640-13
Mutual Benefit Life Insurance Co., The	1639-14, 1639-16
Mutual Life Insurance Co. of New York, The	1639-14, 1639-16
Myers, Carl	1640-26
Nantz, —	1636-3
Narragansett Electric Company financing	11530, 1630, 1639-12
National Bond and Share Corporation financing	1640-17
National City Bank of New York, The:	
Compliance with the Banking Act of 1933	11384, 11391-11394, 1548
Deposits in	1649-1650
Participations in Chicago Union Station Co. financing	11433, 11435-11438, 1545, 1547-1-1547-2, 1548, 1550, 1560, 1587
See also National City Company, The.	
National City Company, The:	
Disposition of former accounts	11391- 11394, 11416-11417, 11440-11443, 11480-11484, 11491-11494, 11500-11505, 11511, 11559, 1528, 1565-1567, 1570, 1600-2, 1604-1606, 1610-1611-1, 1612, 1645.
Question of agreement between J. P. Ripley and S. A. Russell	11416- 11417, 11484, 11500-11505, 11511, 1600-2, 1610-1611-1, 1612
Underwriting interest succeeded to by Brown Harriman & Co.	11391- 11394, 11416-11417, 11441-11443, 11447, 11491-11494, 11559, 1528, 1565-1567, 1570, 1604-1606, 1610-1611-1, 1612, 1645.
See also Pacific Gas & Electric Co. financing.	
Goodwill of	11393-11394, 11492-11494, 1528, 1604-1605
Liquidation of	11393-11394, 1528
Officers and directors of, subsequent affiliation	11391, 1529
With Brown Harriman & Co.	11389-11391, 11409-11411, 1529
Originations of securities, amount	11416, 11492-11493, 1534
Originations of, and participations in security issues, and negotiations therefor:	
Securities of:	
Chicago Union Station Co.	1549-1-1549-2, 1551-1, 1553-1-1553-2, 1553-4-1556-1, 1557-1558-1, 1559- 1560, 1587.
Other companies	11489, 11542, 11564, 1602-1703, 1639-2
Relation to National City Bank of New York	11414
See also Bank affiliates; National City Bank of New York.	
National Distillers Products Corporation financing	1639-6-1639-7
National Steel Corporation financing	11481, 1611-2, 1658-2
Nehemkis, Counsel Peter R., Jr., correspondence concerning exhibits	11798- 11801, 11809-11812, 11822-11825, 1536, 1538-1-1539-3, 1583, 1585, 1615, 1621, 1650, 1656-1, 1696, 1757, 1759-1-1759-2.
Newbold's, W. H., Son & Co.	1629, 1651-2-1651-3
Newcomet, H. E.	11431, 1565
New England Fiber Blanket Company	1608
New England Mutual Life Insurance Co.	1639-16
New Jersey General Security Company	11430
Newton, Abbe & Co.	1629
New York Central Railroad Company financing	1631, 1653-1
New York Edison Co., Inc. financing	1631, 1646, 1658-1
New York Life Insurance Co.	1639-16
New York & Queens Electric Light & Power Company financing	11595, 1631, 1648, 1658-1

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
New York & Richmond Gas Company financing.....	1640-5-1640-6
New York State Electric & Gas Corporation financing.....	1630
New York Steam Corporation financing.....	1631, 1646, 1658-1
New York Stock Exchange.....	11544
New York Telephone Company financing.....	11547, 1631
Neylan, John.....	1645
Niagara Falls Power Company financing.....	1631, 1652-4-1652-5
Niagara Hudson Power Corporation financing.....	11554
Nolte, C. B.....	1652-1
North American Company, <i>See</i> Pacific Gas & Electric Co. financing.	
North Boston Lighting Properties financing.....	1630
Northern States Power Company financing.....	11587, 1647
Northern Trust Co. of Chicago.....	11815, 11820
Northwestern Light & Power Company financing.....	1640-27, 1640-35
Northwestern Mutual Life Insurance Co.....	1640-13
O'Brien, —.....	1625
O'Brien, John.....	1633
Ohio Edison Company financing.....	11595, 1631, 1653-1
Ohio River Company.....	11430
Old Colony Corp. <i>See</i> First National Old Colony Corp., The.	
Old Colony Trust Co. <i>See</i> First National Bank of Boston.	
O'Melveney, Donald.....	1639-5
Orama Securities Corp.....	11412
Oregon Short Line Railroad Company.....	11385
Oregon-Washington Railroad & Navigation Company.....	11385
Originations of securities, amount, 1927-1930.....	1534-1535
<i>See also</i> under various investment banking funds.	
Orr, James H.....	11516, 1621
Osswalt, Robert L.....	11486
Otis & Co.....	11481, 1629
Pabst, George H., Jr.: Activities in Chicago Union Station Co. financing.....	11428, 11810, 11812-11817, 11824, 1533-3, 1566
Testimony before the Interstate Commerce Commission.....	11812-11817
Pacific Company of California.....	11542-11543,
1629, 1639-1-1639-4, 1639-8, 1639-13-1639-14	
Pacific Gas & Electric Company: Relation to North American Co.....	11489, 11495-11496
Pacific Gas & Electric Company financing.....	11480-11511, 1598-1614-24
Blyth & Co.'s efforts to obtain leadership.....	11480-11511, 1598-1614-24
Brown Harriman & Co., Inc.'s negotiations over position in under- writing group.....	11495, 11498, 11500-11502, 1600-2, 1600-6-1600-9, 1604-1605, 1608-1610, 1611-2, 1611-5, 1614-4
Distributing group for 1930-1931 issues.....	1602-1603
Issues: \$25,000,000 4½% "F", due 1960, offered July 1930.....	11490, 1602
\$25,000,000 4½% "F", due 1963, offered January, 1931.....	11489-11490, 1603
\$95,000,000 4% "G", due 1964, offered March, June and Sep- tember, 1935.....	11496, 1598-1600-9, 1600-16, 1606-1614-17
\$120,000,000 3¾% "H", due 1961, offered March and April, 1936.....	11599, 1600-11-1600-15, 1614-18-1614-26
Lazard Freres & Co., Inc.'s efforts to retain leadership.....	11480-11511, 1598-1614-26
Participations.....	11490, 11495,
11599, 1600-14, 1602-1603, 1606, 1611-4, 1614-2, 1614-4, 1614-7	
Realignments of underwriting interests after Banking Act of 1933.....	11491- 11495, 1604, 1606
Pacific Lighting Corporation financing.....	1638-3, 1640-2, 1658-3
Pacific Telephone & Telegraph Company financing.....	11574, 1631, 1658-1
Pagen, J. Lawrence.....	11486, 11593, 1648, 1655
Paine, Webber & Co.....	1629, 1639-1, 1639-19, 1640-24
Partnership, advantages and disadvantages of, in banking business.....	11400
Pask & Waldrige.....	1629

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
Patterson, —	11497, 1607, 1650
Paying agencies, attempts by commercial banks to secure	11538-11539, 1634-1635, 1636-6-1636-7, 1637
<i>See also</i> Fiscal services.	
Payson, H. M., & Co.	1629
Peirce Fair & Co.	11490, 1602-1603
Penn Mutual Life Insurance Co., The	1639-14, 1639-1
Pennroad Corporation	11429
Pennsylvania Company:	
Financing of	1653-2
Guarantors of Chicago Union Station Co. security issues	1545, 1549-1-1549-2, 1551-1, 1554-1, 1556-1
Stock interest in Chicago Union Station Co.	11430
<i>See also</i> Pennsylvania Railroad Co.	
Pennsylvania-Dixie Cement Corporation	11480
Pennsylvania Power & Light Company financing	1630-1631
Pennsylvania Railroad Company:	
Financing of	1653-2
Guarantors of Chicago Union Station Co. security issues	11799, 11813, 11818, 11821, 1553-1, 1565
Letters concerning use of documents	11427-11428, 1533-3, 1539-3
Stock interest in Chicago Union Station Co.	11430, 11812, 11818, 1545
<i>See also</i> Pennsylvania Co.	
Performance record cards kept by:	
The First Boston Corp.	1639-23
Morgan Stanley & Co.	11584-11586, 1647
Perkins, James H.	11391-11394, 11494, 1523, 1606
Perry, Arthur, & Co., Incorporated	1629, 1639-1, 1639-19
Phelps Dodge Corporation financing	1631, 1653-1
Philadelphia Electric Company financing	1631, 1653-1
Phillips Petroleum Company financing	1630, 1653-3
Pitchard, H. T.	1636-7
Pittsburgh, Cincinnati, Chicago & St. Louis Railroad Co.:	
Guarantors of Chicago Union Station Co. security issues	11799, 11813, 11818, 11821, 1545, 1549-1-1549-2, 1551-1, 1554-1, 1556-1, 1558-1, 1565
Stock interest in Chicago Union Station Co.	11430, 11812, 11818
<i>See also</i> Pennsylvania Railroad Co.	
Pittsburgh, Fort Wayne and Chicago Railway Company	1545
Ponting, A. E.	11486
Poor & Company financing	1640-30-1640-31
Poor, Fred	1640-30
Poor's Register of Directors and Executives	11429
Pope, Allan M.	11516, 11522, 1601, 1617, 1621, 1624, 1638-1
Porter, Commissioner Claude R.	11812-11821
Position in underwriting syndicate	<i>See</i> Advertisement of security issue;
Investment banking; and various security issues.	
Potter, William H., Jr.	11516, 1617, 1621, 1639-11, 1639-18
Preferential rights to future financing	11515, 1617, 1619
Preferred stocks, attitude of investment bankers toward distribution of	11556, 11558, 1644
Pressprich, R. W., & Co.	1629
Prudential Insurance Company of America, The	1639-16
Public corporations, investment banking by, discussed	11415, 11519, 11520
Public Service Company of Northern Illinois financing	1637
Public Service Company of Oklahoma financing	1640-39-1640-44
Public Service Corporation of New Jersey financing	1649
Public Service Electric & Gas Company financing	1631
Public Utility Holding Company Act of 1935	11505-11506, 1613, 1614-3
Pullman Company	11430
Pullman, Inc.	11430
Purchase group letters, acknowledgements, examples of	1547-2, 1553-3-1553-4, 1586-2
Purchase group letters, examples of	1547-1, 1553-1-1553-2, 1575, 1586-1, 1596-1-1596-3

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
Pure Oil Companies financing.....	11583, 11587, 1647
Putnam & Co.....	1629
Quantrell, Ernest E.....	11518, 1622
Railroad Finance Investigation, <i>See</i> U. S. Senate Committee on Interstate Commerce.	
Ramsey, George.....	11504, 1600-13, 1612, 1617, 1620, 1638-2, 1638-4-1638-5, 1639-4, 1639-6, 1639-8
Rayburn Bill, <i>See</i> Public Utility Holding Company Act of 1935.	
Rayonier, Incorporated financing.....	1652-2
Rea, Samuel.....	11437, 1556, 1558-1
Reciprocity in selection of underwriting groups.....	11529-11534, 11569-11604, 1629-1631, 1658-1-1658-4
Reconstruction Finance Corporation.....	1567, 1650
Reed, Senator Clyde M.....	1640-83
Registrars, efforts by commercial banks to secure.....	11538-11539, 1636-1
<i>See also</i> Fiscal services.	
Reppy, R. V.....	1638-2
Republic Steel Corporation financing.....	11601, 1658-2
Revere Copper & Brass, Incorporated financing.....	1601, 1644-1645, 1658-2
Reynolds & Co.....	1629
Reynolds, J. E.....	1576
Richardson & Clark.....	1629
Richardson, Dorsey.....	11522, 1624
Richfield Oil Corporation financing.....	1650
Ricker, Edgar, & Co.....	1629
Richter, —.....	1640-13
Ripley, Joseph P.: Activities in security issues.....	11481-11482, 11491, 11493, 1605, 1612, 1643, 1649
Prior affiliations of.....	11390, 11406-11409, 11411, 11414-11415
Question of agreement with Stanley A. Russell concerning disposition of former National City Co. accounts.....	11416-11417, 11484, 11500-11505, 11511, 1600-2, 1610-1611-1, 1612
Selection as trustee under Harriman Ripley & Co. voting trust agreement.....	11403, 11406-11408, 11414-11415
Testimony of.....	11408-11417, 11425, 11426
Ritter & Co.....	1629
Robinson, Senator Joseph T.....	11403
Rochester Gas & Electric Corporation financing.....	1630
Rogan, James S.....	1636-3-1636-4
Rollins, E. H., & Sons Inc.: Participations in security issues and negotiations therefor: Securities of: Pacific Gas & Electric Co.....	11490, 11495, 1600-14, 1602-1603, 1606, 1611-4, 1614-2, 1614-4
Southern California Edison Co.....	11542, 1639-1-1639-2, 1639-4, 1639-8, 1639-10-1639-11, 1639-14, 1639-17
Other companies.....	1640-12, 1640-22-1640-24
Reciprocal business with The First Boston Corp.....	1629
Roosevelt, President Franklin D.....	1650
Roper, Willet C.....	11388, 11390, 11409, 11425, 1537
Royal Securities Corp., Ltd.....	1629
Royce, Donald.....	11486
Russell, Stanley A.: Activities in security issues.....	11480, 11566, 1639-4
Directorships of.....	11480
Question of agreement with J. P. Ripley concerning disposition of former National City Co. accounts.....	11416-11417, 11484, 11500, 11505, 11511, 1600-2, 1610, 1611-1, 1612
Testimony of.....	11480-11485, 11511
<i>See also</i> Pacific Gas & Electric Co. financing.	
Sage, Rutty & Company, Inc.....	1629
St. Joseph Railway, Light, Heat & Power Company financing.....	1630
Sales contract between issuer and underwriters, example of.....	1549-2
Confirmation of, example.....	1557-2

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
Salomon Bros. & Hutzler.....	1651-2-1651-3
San Diego Consolidated Gas & Electric Company financing.....	11535- 11536, 1625, 1632, 1635, 1658-3
San Francisco Bay Toll Bridge Company financing.....	1650
San Joaquin Light & Power Corporation financing.....	11508
Sargent, ———.....	11448, 1572
Scandrett, Henry A.....	11428, 11809-11811, 11818, 1538-1, 1756
Scarff, James G.....	11410-11411
Schenley Products Company.....	1636-3-1636-5
Schiff, Mortimer L.....	11431, 1540-1541, 1543-1544
Schoellkopf, Hutton & Pomeroy, Inc.....	1629
Schroder, J. Henry, Banking Corporation.....	11517, 1622
Schroder, Rockefeller & Co., Inc.....	1629
Schweppe, Charles H.....	11431, 11446, 1540, 1569
Scott, Bruce.....	11443, 1567, 1585
Scott, George.....	1640-16
Scranton, Chas. W., & Co.....	1629
Seager, George B.....	1621
Securities Act of 1933.....	1600-3-1600-4, 1600-10 1638-4, 1639-8, 1639-11, 1640-23, 1640-32
Registration of various security issues.....	11426, 11575
Several responsibility of underwriters under.....	1629, 1640-24
Securities Co. of Milwaukee, Inc., The.....	1629, 1640-24
Securities and Exchange Commission, <i>See</i> Henderson, Commissioner Leon; Nehempis, Counsel Peter R., Jr.; Securities Act of 1933; Whitehead, William S.	
Security Trust Co., Los Angeles.....	11542, 1639-2
Seligman, J. & W., & Co.....	1614-25, 1629, 1639-1, 1639-8, 1639-19, 1651-2
Severs, J. W.....	11809-11812
Shaw, Aldrich & Co.....	1639-18
Shea, J. J.....	1604-1605
Shell Union Oil Corporation financing.....	1631
Shields & Co.....	1639-22
Shrader, F. K.....	1637, 1640-24
Shurtleff, Roy.....	1648-1650, 1655, 1656-2
<i>See also</i> Pacific Gas & Electric Co. financing.	
Sills, Troxell & Minton, Inc.....	1640-44
Simpson, James.....	11603
Sinclair, Harold.....	1650
Singer, Deane & Scriber.....	1629
Skelton, T. F. C., & Co.....	11517, 1622
Smith, Barney & Co.....	11439, 11591, 11822, 11825, 1563, 1629, 1648, 1651-2
<i>See also</i> Smith, Edward B., & Co.	
Smith, Edward B., & Co.:	
Participations in security issues and negotiations therefor	
Securities of:	
Chicago Union Station Co.....	11445-11447, 11449, 11452-11453, 11460-11461, 11468-11469, 11471-11474, 1569, 1574, 1576-1579, 1587-1589, 1593, 1595.
Pacific Gas & Electric Co.....	11495, 1600-14, 1606, 1611-4, 1614-4, 1614-7
Southern California Edison Co.....	11543, 1639-1, 1639-6, 1639-8, 1639-10, 1639-14, 1639-17
Other companies.....	11573-11575, 1640-17, 1644-1645, 1652-4-1652-5
Reciprocal business:	
With Blyth & Co., Inc.....	1658-2
With The First Boston Corp.....	1629
Succession to part of underwriting interests of First National Bank of New York.....	11451-11453, 11460-11461, 11464-11466, 1576-1579, 1589
Succession to underwriting interests of the Guaranty Co.....	11523, 11559, 1625, 1645
<i>See also</i> Smith, Barney & Co.	

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

INDEX

iv

	Page
Smith, Elwood D.....	11409
Smith, Isaac B.....	1640-25-1640-27
Southern Bell Telephone & Telegraph Company financing..	11575, 1631, 1658-1
Southern California Edison Company financing.....	11525, 11535-11587, 11540-11543, 1600-3, 1600-10, 1625-1326, 1633, 1638-1-1639-23, 1658-3.
Division of, before 1930, between Harris, Forbes companies and Harris Trust & Savings Bank.....	11525-11526
Participations in security issues.....	11542- 11543, 1639-1-1639-2, 1639-8, 1639-10, 1639-14
Profit to underwriters.....	1639-17
Sales to insurance companies.....	1639-14, 1639-16
Selling group.....	1639-12, 1639-14, 1639-16, 1639-18-1639-23
Territorial distribution of.....	1639-14
Southern California Gas Company financing.....	1658-2-1658-3
Southern Kraft Corporation financing.....	11530, 1630, 1658-3
Southern Pacific Company financing.....	1658-2
Southwestern Bell Telephone Company financing.....	11575, 1631, 1658-1
Sparrow, W. W. K., activities in Chicago Union Station Co. financing.....	11441- 11443, 11457-11458, 1565-1566, 1570-1571, 1581, 1584, 1766
"Special capital" in investment banking firms.....	11589-11592, 1654
Speer, G. W.....	11471-11472, 1595
Speyer & Co.....	1629
Staats, William R., Co.....	11542, 1629, 1639-1-1639-2, 1639-8, 1939-10, 1639-14, 1639-17
Standard Brands Incorporated financing.....	1631, 1658-1
Standard Oil Company (N. J.) financing.....	1631, 1658-1
Stanley, Harold:	
Activities relating to:	
Chicago Union Station Co. financing.....	11463-11464, 1589
Consolidated Edison Co. of New York, Inc. financing.....	11563-11565, 11572, 1644, 1647, 1653-2
Morgan Stanley & Co.'s relations with Blyth & Co., Inc. 11487-11488, 11554-11559, 11565-11567, 11583-11594, 1644-1645, 1647, 1652-2-1653-1, 1654, 1657.	
<i>See also Morgan Stanley & Co.</i>	
Stanton, Frank M.....	1617, 1620-1621, 1639-11
Starkweather & Co.....	1629, 1639-1, 1639-19, 1640-12, 1640-22-1640-23
Stein Bros. & Boyce.....	1629
Sterling Iron & Railway Co.....	11412
Stern, David B.....	1640-24
Stern, Lawrence, and Company Incorporated.....	1629, 1640-24, 1640-44
Stern, Wampler & Co. Inc.....	11799, 11807, 11814, 11816
Stevens, Eugene M.....	11492-11493, 11502, 11550, 1604-1605, 1652-1-1652-6
Stewart, Percy M.:	
Activities in security issues.....	11449, 11455-11457, 1573, 1581, 1584
Testimony of.....	11456-11457
Stewart, Robert M.....	11409
Stone & Webster and Blodget, Inc.:	
Participations in security issues and negotiations therefor.....	11543, 1639-1, 1639-11, 1639-14, 1639-17, 1640-12, 1640-22-1640-24, 1640-44.
Reciprocal business with The First Boston Corp.....	11520-11521, 11534-11535, 1623, 1629
Stone & Webster, Inc.....	11518, 1622, 1639-15
Stone & Webster Investing Corp.....	1621
Stout, Elmer W.....	1636-3-1636-5
Strather, Brogden & Co.....	1629
Stroud & Co., Inc.....	1629
Stuart, Harold L.:	
Activities in security issues.....	1640-24
Bid on Chicago Union Station Co. financing.....	11808-11810
Studebaker Corporation.....	11429

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
Sturgis, Henry S.:	
Activities in Chicago Union Station Co. financing.....	11443-11445, 11452, 11461-11466, 1563, 1589, 1593
Directorships of.....	11429-11430
Testimony of.....	11429-11478
Successions to underwriting interests:	
Field, Glore & Co. to interests of Continental Illinois Bank.....	11447-11451, 1570-1576
The First Boston Corp. to interests of Harris, Forbes companies....	11513-11516, 1616-1620, 1625
Interests of Harris Trust & Savings Bank.....	11524-11526, 11548, 1625, 1640-39
Interests of National City Co.:	
Succeeded to by Brown, Harriman & Co.....	11391-11394, 11416-11417, 11440-11443, 11447, 11491-11494, 11559, 1528, 1556-1567, 1570, 1604-1606, 1610-1611-1, 1612, 1645.
Claim of others to business.....	11417, 11484, 11492-11493, 11500-11505, 11511, 11550, 1600-2, 1604-1605, 1611-1, 1612
Lazard Freres & Co., E. B. Smith & Co., and White, Weld & Co., to interests of First National Bank, N. Y.....	11451-11453, 11460-11461, 11464-11466, 11468, 1576-1579, 1589
Morgan Stanley & Co., to interests of J. P. Morgan & Co.....	11462-11471, 11554, 1539-1590, 1593-1595, 1643-1644
Edward B. Smith & Co., to interests of Guaranty Co. of N. Y.....	11523, 11559, 1625, 1645
<i>See also</i> Banking Act of 1933, realignments of underwriting interests after.	
Sullivan & Cromwell.....	11506, 11534, 1600-3, 1613, 1638-2, 1638-5, 1696
Sullivan, Winthrop E.....	1617, 1621
Swan, Joseph R.....	11446, 11523, 1569, 1625
Sweet, Oliver E.....	1567, 1756
Sweezy, Eustace B.....	1554-2
Sylvester, Horace C., Jr.....	11390, 11409-11410, 11500, 1610
Tenney & Co.....	1629
Texas Corporation financing.....	1634
Thomas, Joseph A.....	1636-3, 1636-5
Tide Water Associated Oil Company financing.....	11601, 1653-2
Tift Brothers.....	1629
Tighe, Lawrence.....	11390
Toledo Edison Company financing.....	1630, 1653-3
Transfer agencies, efforts by commercial banks to secure.....	11533-11539, 1636-1
Transportation Act of 1920, interlocking directorate provisions:	
Question of applicability to Field Glore & Co.'s participation in Chicago Union Station Co. financing.....	11447-11451, 11455-11459, 1583-1585
Quoted.....	11456-11457, 1582-2
Trask, Spencer, & Co.....	1629
Travelers Insurance Company.....	1639-16
Trott, D. M.....	1638-2
Trust companies, originations of securities, amount.....	1534-1535
Trusteeships, efforts by commercial banks to secure.....	1635, 1636-6-1636-7
Tucker, Anthony & Co.....	11518, 1622, 1629, 1639-19, 1640-24, 1640-44, 1696
Turner, Arthur C.....	11516, 1617, 1621
Turner, J. J.....	11435-11436, 1549, 1551, 1554
Underwriting, documents used in, <i>See</i> Investment banking, documents used in.	
Underwriting groups, factors considered in selecting members.....	11442-11443, 11508, 11541-11544, 11569-11572, 1652-4
Historical relationship.....	11569-11572
<i>See also</i> Chicago Union Station Co. financing.	
Industrial specialization.....	11569, 11598
Personal relationships.....	11388-11395, 11416-11417, 11486-11495, 11503-11505, 11553-11559, 11562-11567, 1606, 1643-1644, 1652-1-1652-6.
Reciprocity....	11529-11533, 11569, 11595-11603, 1629-1631, 1658-1-1658-4
Wishes of issuing corporation.....	11442-11443, 11467-11468, 11542-11543, 11601, 11603, 1690-1592, 1658-1-1658-2

NOTE.—Figures in ordinary type refer to text page numbers; figures in *italics* are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
Underwriting groups, permanence of.....	11473-11476, 11507-11508, 11569-11577, 1611-3
<i>See also</i> Chicago Union Station Co. financing.	
Union Oil Company of California financing.....	1638-4, 1658-4
Union Pacific Railroad Company.....	11385, 1658-2
United Aircraft Corporation financing.....	11481
United Air Lines Transport Corporation financing.....	11481
United Corporation.....	11565
U. S. Senate, Committee on Banking and Currency.....	11416, 1635
U. S. Senate, Committee on Interstate Commerce, Railroad Finance Investigation.....	11472
United States Steel Corporation financing.....	1631, 1658-1
Utilities Power & Light Securities Company.....	1636-7
Virginian Railway Company, The financing.....	11481
Voting trust agreement for stock of investment banking firm, example of.....	1533
Walker, Burnett.....	11523-11524, 11535-11536, 1625, 1632, 1638-3
Walker, Elisha.....	11587-11589, 1654
Walker, G. H., & Co.....	1629
Wall Street Journal.....	11415-11416, 1634
Ward, Albert.....	11812-11817
Wasserman & Co.....	1621
Weeks, Robert.....	1640-11
Weisheit, Karl.....	11446, 11469, 1569, 1594
Weld, Francis M.....	11432
Welldon, Samuel A.....	11453-11454, 1576-1578
Wenzell, Adolphe H.....	1617, 1620-1621
West Indies Sugar Corporation.....	11407
West Penn Power Company financing.....	1630
West Texas Utilities Company financing.....	1630
West Virginia Coal & Coke Corporation.....	11430
Westchester Lighting Company financing.....	1631, 1646, 1658-1
Western Union Telegraph Company.....	11385
Wetmore, Horace O.....	11486, 1648
Wheeler, Senator Burton K.....	11427
White, Alexander.....	11453, 1577
White, J. G., & Co.....	11406
White, Weld & Co.: Deposits with J. P. Morgan & Co.....	1651-2
Holdings of The First Boston Corp.'s stock.....	11518, 1622
Participations in security issues and negotiations therefor: Securities of:	
Chicago Union Station Co.....	11432, 11821, 11825, 1544, 1577, 1579, 1588-1-1588-2, 1589, 1593, 1596-2, 1597-1-1597-2.
Southern California Edison Co.....	1639-1, 1639-9-1639-11-1639-14, 1639-17
Succession to part of underwriting interest of First National Bank of New York.....	11452-11453, 1576-1577, 1579, 1589
Whitehead, William S.....	11525-11526, 1626
Testimony of.....	11439
Whiting, Weeks & Knowles, Inc.....	1639-1, 1639-19
Whiting, Weeks, & Stubbs Incorporated.....	1640-22-1640-23
Whitlock, A. N.....	11818
Whitney, George.....	11487, 11551-11555, 11563-11565, 1569, 1642, 1644, 1647
Wiggin, Albert H.....	11517, 1622
Wilde, Bertram M.....	11517, 1622
Willcox, Westmore.....	1650
Williams, Harrison.....	11486, 11509, 1614-23-1614-26
Willkie, Wendell L.....	11596, 1658-1
Wilson, Herbert T. C.....	1617, 1621
Wing, Daniel G.....	11514, 1617
Wisconsin Company, The.....	1640-12, 1640-22-1640-23, 1651-2
Wisconsin Gas & Electric Company financing.....	1630, 1658-3
Wisconsin Michigan Power Company financing.....	1630, 1658-3

NOTE.—Figures in ordinary type refer to text page numbers; figures in italics are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.

	Page
Wisconsin Power & Light Company financing.....	1640-24
Wisconsin Public Service Corporation financing.....	1630, 1639-15
Witter, Dean, & Co.:	
Deposits with J. P. Morgan & Co.....	1651-2
Participations in security issues and negotiations therefor:	
Securities of:	
Pacific Gas & Electric Co.....	11495,
1600-14, 1606, 1611-4, 1614-2, 1614-4, 1614-7, 1614-21	
Southern California Edison Co.....	11543,
1639-1, 1639-8, 1639-10, 1639-14, 1639-17	
Other companies.....	11574, 1650
Participations in issues managed by The First Boston Corp.....	1629
Wood, Harold E.....	1640-21
Woods, George D.:	
Activities relating to financing of:	
Central Illinois Electric & Gas Co.....	1640-5-1640-11
Southern California Edison Co.....	1638-2-1638-4,
1639-4, 1639-6-1639-10, 1639-17-1639-18	
Activities, other.....	11516, 1600-9, 1617, 1620-1621
Stock interest in Harris, Hall & Co.....	11527, 1696
Testimony of.....	11502-11505, 11511-11546
Woolley, Knight.....	11386
Yazoo and Mississippi Valley Railroad Company, The.....	11385
Young, John M.....	11593, 1655, 1656-2
Youngstown Sheet & Tube Company, The, financing.....	1658-2

NOTE.—Figures in ordinary type refer to text page numbers; figures in *italics* are exhibit numbers. For pages on which exhibits appear, see Schedule of Exhibits.



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